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ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

VOLUME No.:

DATE:

107

25 Oct 1960

OFFICIAL REPORTERS
ANGUS, STONEHOUSE & CG. LTD.
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20			E RRATA Volume 107
21	17791	2	"17%" should be "7%", both cases.
22	17805	7	"high" should be "low".
24	7 00 11 11	8	"the points" should read "the other points"
25	17844	9	"based" should be "basic" "internal" should be "terminal"
26	17853	25	Add "to" between "west" and "Ontario and
27	17877	13	"possible of" in place of " a moving"
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NO EXHIBITS IN THIS VOLUME





INDEX

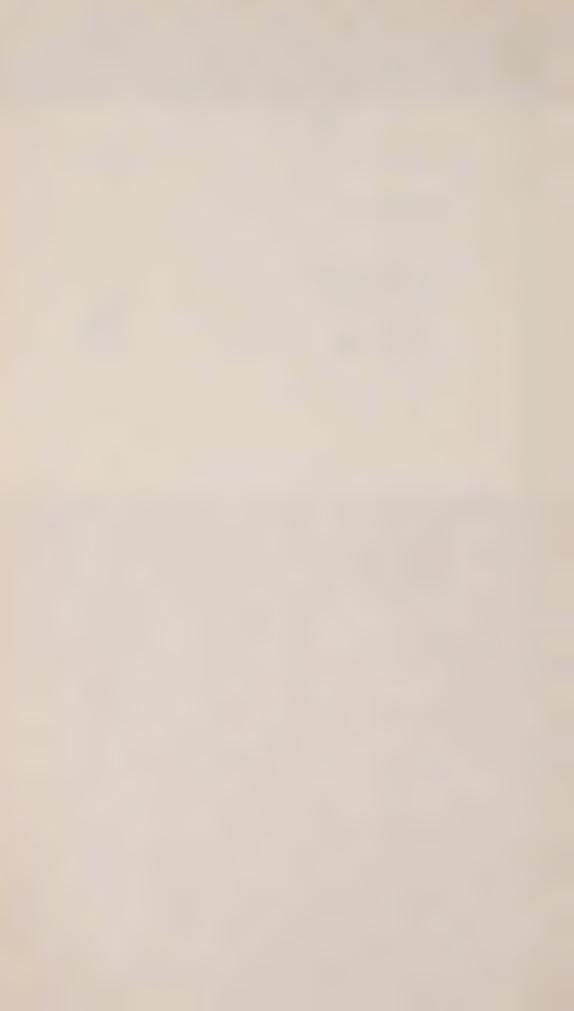
Page No.

ROBERTS, J. M.

Cross-examination

By Mr. Brazier By Mr. Smith By Mr. Mauro By Mr. Blair By Mr. Carter

NO EXHIBITS IN THIS VOLUME



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2

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5

6 7

8

9 10

11 12

14

COMMISSION

13

Mr. M. A. MacPherson, Q.C. Mr. H.

Mr. A. H. Balch 15

Mr. R. Gobeil 16

Mr. H. A. Mann 17

> Mr. A. Platt

19

20

21

22

24

25

18

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Mr. A. G. Cooper, Q.C.

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Mr. F. W. Anderson

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held In the Court Room, Board of Transport Commissioners Offices, Ottawa, Ontario, on the 25th day of October, 1960.

Chairman

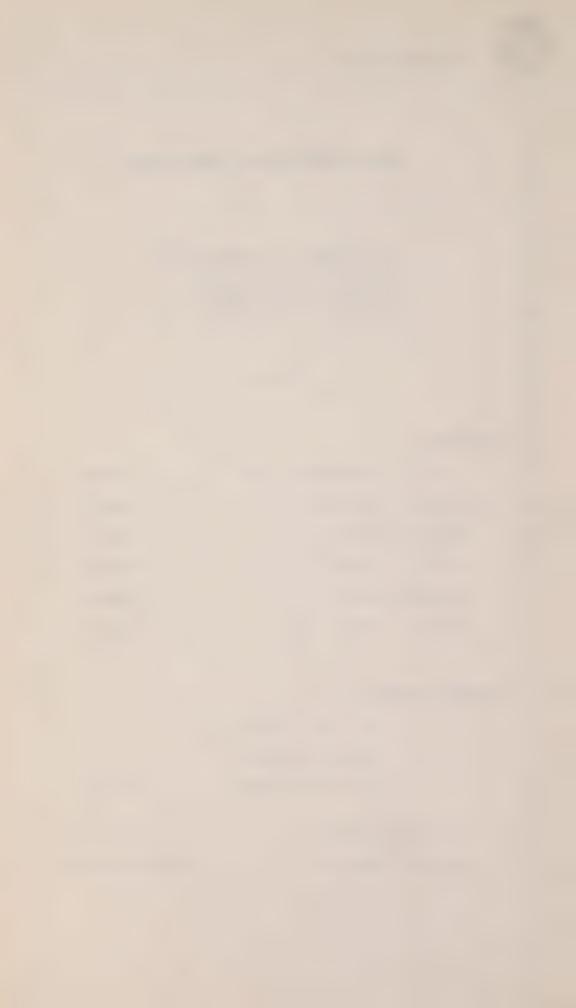
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Ottawa, Ontario, Tuesday, October 25, 1960.

-- On commencing at 10:00 a.m.

THE CHAIRMAN: Order, please.

MR. SINCLAIR: Mr. Roberts, during yesterday's proceedings there were two matters, as I recollect, that arose. One was in reference — it is at page 11715, during the examination of the witness by my friend, Mr. Cooper when reference was made to page 44 of the precise evidence of Mr. Roberts and the request was for the transcript reference that Mr. Roberts was relying on. Have you got that, Mr. Roberts?

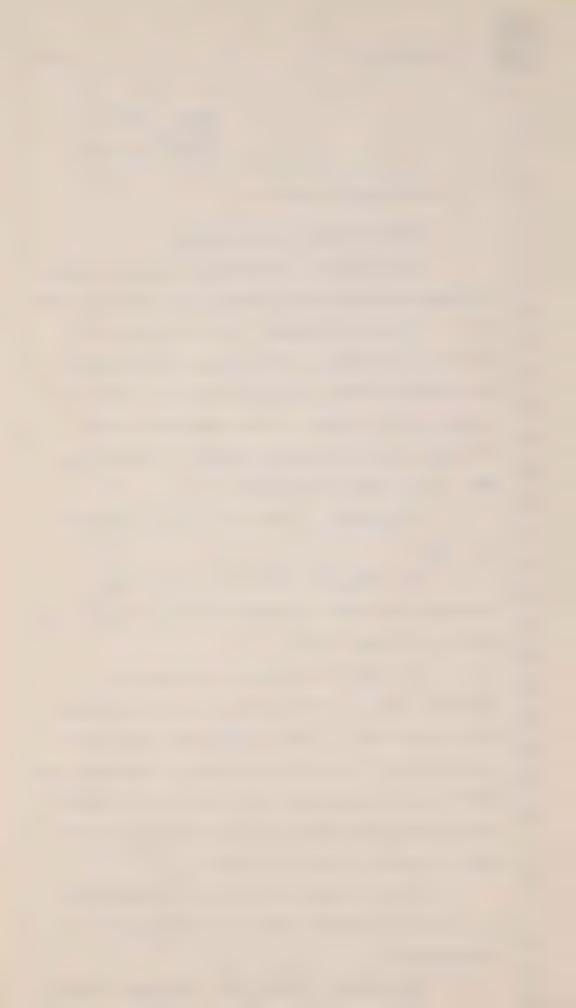
THE WITNESS: I have, sir. It is volume 76, page 13404.

MR. SINCLAIR: The other point was some information requested by Commissioner Mann of the witness, and this is at page 17700.

Mr. Mann, Mr. Roberts, was asking you concerning the ale and beer rates. The transcript says "To central Canada"; I think Commissioner Mann said "In central Canada". And you recall that the discussion was that this was a competitive rate, and then it became an agreed charge. The question was as to the level of the rates in relation to the 17% increase.

Have you checked that out as you undertook to do, and can you give the Commission the results of your investigation?

THE WITNESS: I have, sir. The rates on beer and ale within central Canada were published as





ANGUS. STONEHOUSE & CO. LTD. Roberts, cr.ex. TORONTO. ONTARIO (Brazier)

competitive rates and the 17%, the interim 17% increase effective July 3, 1956, was applied to those rates. It was removed effective July 30, 1956. Subsequently, agreed charges were negotiated and these agreed charges became effective. The first one, agreed charge 425, applied from Montreal, Toronto and London to points in Ontario and Quebec and it became effective June 11, 1958. Agreed charge 426 from Montreal only to certain points in Ontario and Quebec became effective June 16, 1958.

MR. SINCLAIR: By the way, what percentages were covered?

THE WITNESS: Well, the first agreed charge that I mentioned, agreed charge 425, covered 90% of the traffic, and the second agreed charge, No. 426, covered 80% of the traffic.

THE CHAIRMAN: That was a case of attrition?

THE WITNESS: Yes, sir.

THE CHAIRMAN: Mr. Brazier?

CROSS-EXAMINATION BY MR. BRAZIER (resumed)

Q. Mr. Roberts, in yesterday's transcript,
with reference particularly to page 17749 I had put to
you certain rates between Calgary and Edmonton,
indicating to you that the rates published by the C.P.R.
were lower than the ICC cost figures for western districts?

A. The average ICC cost figure, yes.

Q. Yes, the average ICC cost. And I put one case to you, the rate of 26ϕ as against an ICC cost of 34.45ϕ . Then, at the bottom of the page, you say:

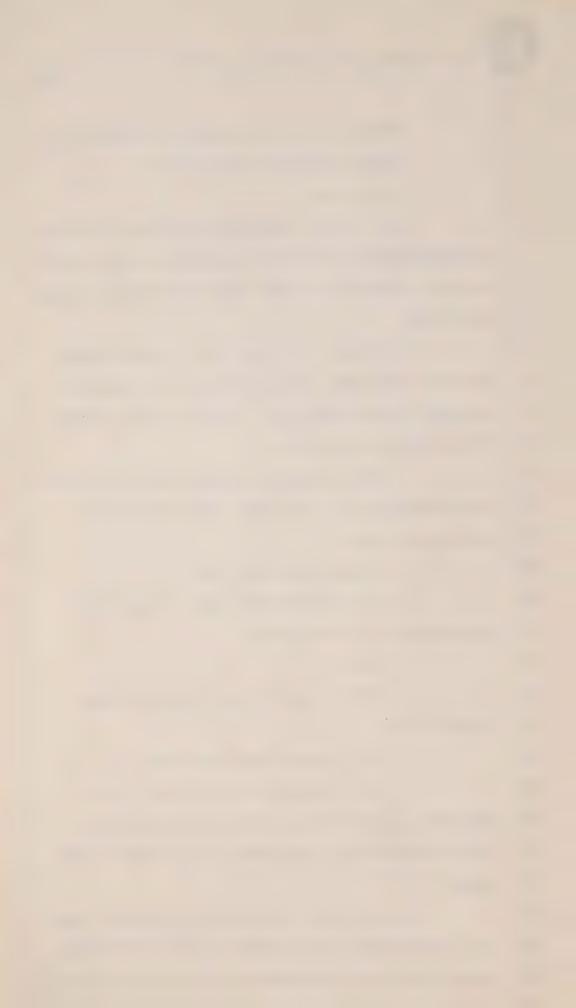
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"Those rates were examined by the Board and found to be fully compensatory".

A. Yes, sir.

- Q. I take it you then agree that it follows from those questions and that par icular answer that the Canadian Pacific's costs are lowe than the ICC average costs are?
- A. Well, I would not like to make a broad statement like that. We are dealing with a specific movement here, Mr. Brazier. I wou'd not like to make broad statements like that.
- Q. Well, following through carefully -- the figures indicate that the rates are lower than the average ICC costs?
 - A. In that instance, yes.
- Q. In that instance. This is all I am referring to; in this instance.
 - A. Yes.
- Q. And you say that your rates are fully compensatory?
 - A. As so agreed to by the Board.
- Q. As so agreed to by the Board. Well, therefore, it follows as night follows day that for those specific hauls your costs are less than the ICC costs?
- MR. SINCLAIR: Of course, Mr. Chairman, that is a non-sequiter, in my submission, that the average costs of the ICC as determined by the ICC is one thing, and the costs in Canada are another. What a specific



movement would be in the United States would have to be determined in the United States. The United States have only published average costs by districts, and ---

MR. BRAZIER: That is what I am asking.

MR. SINCLAIR: -- and this does not necessarily follow at all, I suggest, and I think the question is irrelevant.

THE CHAIRMAN: Well, your objection is that it is not like with like?

MR. SINCLAIR: More than that, with respect, sir. My contention and my position is this, that average costs, taking in various railroads, questions of circuity, and various other things taken into consideration in these cost studies in the United States in different types of railroads, is not the same as determining a specific movement and the cost of it between two individual points.

THE CHAIRMAN: Your contention is that average costs are not arrived at in the same way in both jurisdictions.

MR. SINCLAIR: Well, no, sir. I will go
further than that and I will say that average costs,
the use of averages in determining costs is not worthy
of being transferred into specific costs unless you can
get some components that are the same, and it is bad
enough to do it in Canada, but it is absolutely, I
suggest, with all due respect to my friend, the height
of --- it is pretty near ridiculous to bring them up
from the United States and take average costs in a





district in the United States and compare them with specific costs of a movement in Canada.

COMMISSIONER MANN: Mr. Sinclair, there is,
however, some use for average costs, because we heard
Mr. Roberts yesterday telling us about these bench marks,
and they are nothing more than average costs per ton-mile,
per car-mile, and so on. So that if they were available,
and this is nothing to do with the American situation
now, but your particular statement, if they were
available they would be a rough measure; would they not?

MR. SINCLAIR: I said, with respect,

Commissioner Mann, that it is one thing to take average

costs in Canada, which I do not think is too good, if

it is a specific movement — and I do not want to use

harsh words, but it seems to me to be ridiculous to

take average costs in the United States with an entirely

different situation and compare them with specific ones

in Canada. That is my objection.

THE CHAIRMAN: Go ahead, Mr. Brazier.

MR. BRAZIER: Q. I quite appreciate the difference my learned friend is making. All I am saying is these costs are lower than the average costs. I am not attempting to say that the averages in the States would cover a specific movement such as this, but just that it necessarily follows that the specific costs on this movement are less than the average costs in the United States?

A. On this movement, yes, sir, compared with average costs in the United States.



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- Q. And those particular rates were found to be compensatory by the Board of Transport in 1958, was 1t?
 - A. 1957, I think.
 - Q. 1957?
 - A. I think it was 1957.
- Q. And your costs have gone up since that time. Mr. Roberts?
 - A. Yes, sir.
- Q. Have you re-tested those rates to see that they are compensatory at the present time?
 - A. I have not re-tested them, sir, no.
- MR. FRAWLEY: If I might interrupt. These are Calgary to Edmonton rates, the witness said, that were placed before the Board and found compensatory. What were the commodities?

MR. BRAZIER: The incentive rates.

MR. FRAWLEY: Well, there are many, many incentive rates. Which ones are we talking about?

THE WITNESS: Well, Mr. Frawley, the incentive rates that were originally published in April of 1957.

MR. FRAWLEY: I know something about the incentive rates, but I was not aware of any where there was a particular incentive rate between Calgary and Edmonton, and you now say the Board examined them and said they were compensatory. I want some information, please.

THE WITNESS: It was not a specific rate.

They were not looking at a specific rate, Mr. Frawley.



They were looking at the range of these incentive rates in western Canada that were published in April, 1957, and the rates from Winnipeg to Calgary, Edmonton, Saskatoon and Regina were examined. The rates between Calgary and Edmonton were examined; the rates from Edmonton to Saskatoon were examined — the whole series of rates that were established at that time were examined by the Board.

MR. FRAWLEY: It is not fair to interrupt the witness now, but I will ask him some questions later.

MR. BRAZIER: I have the particular tariff here I was referring to, Mr. Frawley.

- Q. You have not re-tested those to see if under present day costs whether they are compensatory or not?
 - A. I have not.
- Q. I suggest to you that happens in a great many instances, and I do not want to just pick out the Alberta rates, but you put rates in and they remain there, and do you or do you not continue to check them to see that they are compensatory?
 - A. We do.
 - Q. You do?
 - A. We do.
- Q. But in this particular instance, you have done so?
- A. We have not done so in this particular instance.
 - Q. And also the rates I cited to you between





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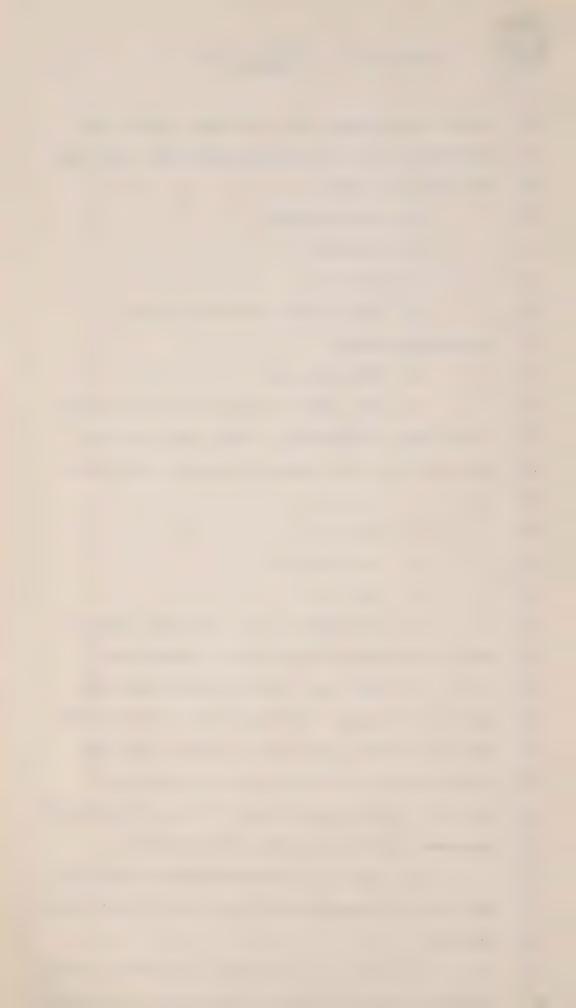
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Toronto and Montreal, where the same situation was indicated, you have re-checked those rates since they were put into effect?

- A. That is right.
- In 1958? Q

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- A. Yes. sir.
- And you find that they are still Q compensatory rates?
 - A. They are, sir.
- Now, the cost figures that you supplied to the Board of Transport in those cases, are they prepared in the same manner as the grain study costs are?
 - A. No, sir.
 - They are not? 0.0
 - A. No, sir.
- You apply to them a different sort of Q. test as to whether or not they are compensatory?
- A. Well now, the cost figures that were applied to the grain cost study were exclusive of the passenger deficit. Now, this is getting out of my field as to what is included in cost figures, Mr. Brazier. I do not compile them. I rely on the Research Department to furnish me with proper figures.
- Q. But it is your understanding that it is done under a different method than the grain cost study was done?
- A. Well, I do not know as to method. Let us say that so far as the grain cost study was concerned



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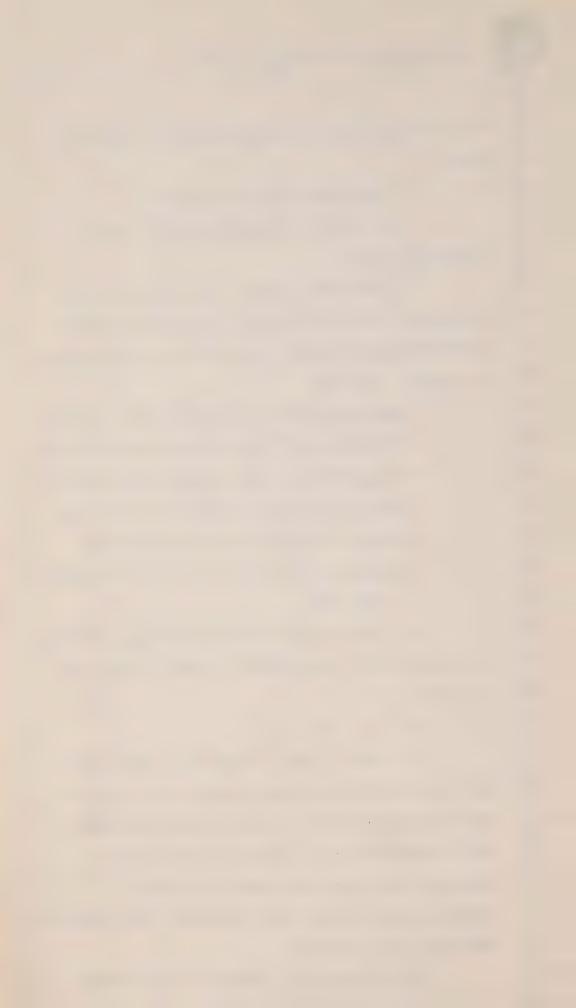
it did not include the passenger deficit. Now that I know.

- Q. And the other would include it?
- A. I have no information to the contrary. I would say it did.
- Q. Now, Mr. Roberts, just turning to your brief again, first, on page 40; the second paragraph under the heading "freight rate structure based on cost of service". You say:

"Practical rate men, whether traffic officers of industry or of the railways, are reluctant to depart from a rate making system that they know will work and has resulted in the free movement of traffic on financially sound railways to one that has never been adopted"?

A. Yes, sir.

- Q. Do you think that that paragraph describes the situation that has existed in Canada for the last ten years?
 - A. Yes, I do.
- Q. Then, I take it that the attempts that have been made by the railway companies from time to time to increase their to get a higher permissive level of earnings is not justified; that they are financially sound and that there is no need of concerning ourselves with the soundness of the financial standing of the railways?
- A. We certainly, I would say, are working towards the permissive level of earnings, sir, and I





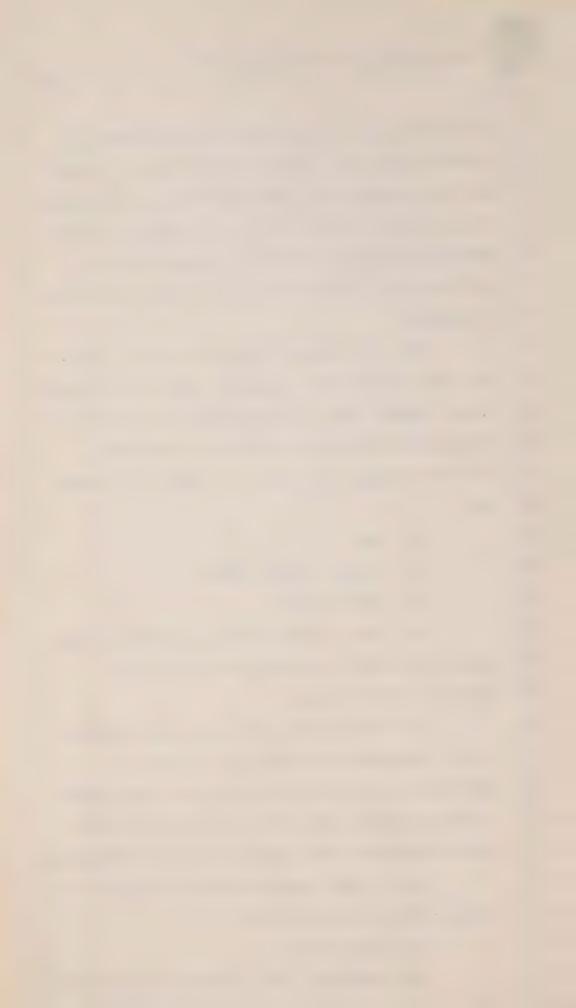
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say we will get it if our case that we have made in connection with the statutory rates on grain; if they are increased and with other technological improvements that we hope to put into effect in the future, working towards the elimination of the passenger deficit, I would say, sir, that we will reach our permissive level of earnings.

- Q. But I go even further than that. As you know, the railways have attempted in the last few years to get a higher level of earnings because the level of earnings they had was not sufficient to keep them financially sound. You recall the base rate of return case?
 - A. Yes.
 - Q. To get a higher return?
 - A. That is right.
- Q. Then, I take it from your statement that that was not really necessary because they were financially sound railways?
- A. Well, we are financially sound railways, but the base should be increased to reflect our investment in the property so that we may work towards a level of earnings which are justified in accordance with the investment that there is in the rail enterprise
- Q. In other words, you are financially sound but you would like to be sounder?
 - A. That is right.

MR. SINCLAIR: Well, I think my friend should be fair to this witness. After all, he is a traffic man





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and my friend knows that we have under reserve with the Board at the present time this whole question of the permissive level of earnings, and it is under reserve. Mr. Roberts, of course, is not responsible for all that.

THE CHAIRMAN: I think Mr. Brazier will be very fair.

MR. SINCLAIR: This last question should have. I suggest, been predicated on the actual situation before the Board at the present time .

MR. BRAZIER: Mr. Roberts is responsible for the statement made in the brief here, and as a responsible officer of the C.P.R. I presume he means what he says.

MR. SINCLAIR: He means what he says, but under the situation existing before the Board, and the losses we have been forced to take out by this tremendous delay of not getting on with our case because of this Commission's long sittings.

MR. BRAZIER: Q. On the same page, you speak in the last paragraph of the proposal of the Saskatchewan Board of Trade and the Province of British Columbia and you say both of these proposals were advanced by economists without practical rate making experience or without responsibilities to industry or the railways in regard to the movement of freight traffic, or without responsibility for maintaining financially sound railways.

I presume from your statement there, Mr.



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Roberts, that you are indicating this Commission should pay more attention to the practical freight traffic men than to the economists; the theoretical economists?

A. Well, sir, we do deal with the problems from day to day. That is my point. And we have been doing so for years.

Q. I would like to read you a little bit

q. I would like to read you a little bit reported in the Transportation Week, May 7, 1960, a statement attributed to Mr. E.V. Hill from "Traffic World". Mr. Hill is chairman of the Traffic Executive Association, Eastern Railways.

Do you know Mr. Hill?

- A. Yes, I know Mr. Hill.
- Q. And he is a well informed man on traffic matters in the United States?
 - A. In the United States, that is right.
- Q. And he is attributed to making this statement, and I am reading from Transportation Week, May 7, 1960:

"The purpose of the project, he explained, was to evaluate data 'to find out not only where we are but why and what we should do about it,' and he added:

'When these data considered together indicated that the trend of rail participation has been down while the production of a given commodity was rising and that a projection a few years into the future indicated a continued rise, due to population growth,



etc. and where we found freight rates to be
an important element, we set about the task
of finding a rate level which would place
the railroad on the industrial growth line!".



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This next is the part I want particularly to put to you:

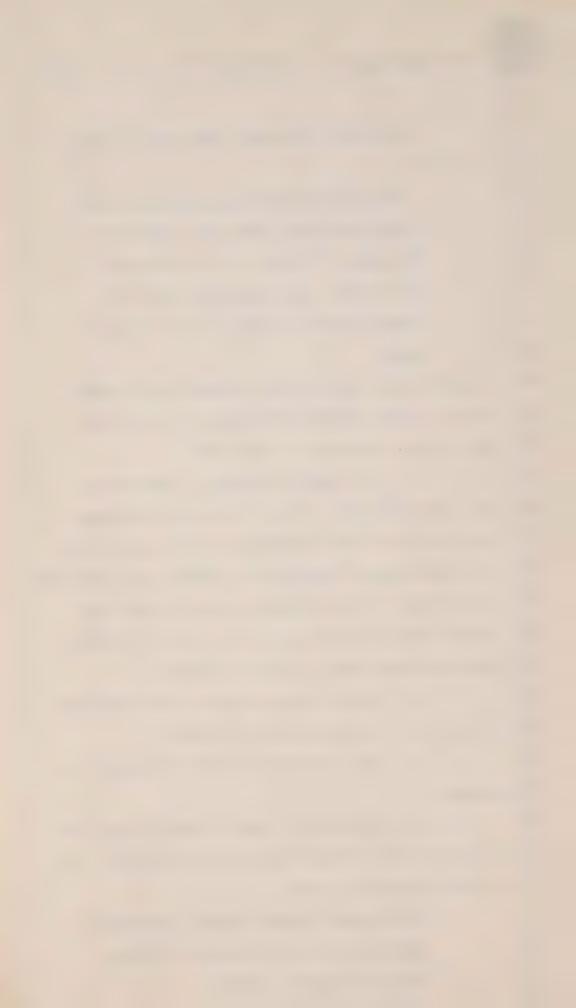
"This is an important philosophy of rate making which has been sorely neglected in the past. It took a lot in research by non-rail cost-finding and market research experts to bring it out into the open."

I suggest to you that Mr. Hill probably has a better opinion of the economies and approach in this matter than you have indicated in your brief?

- A. As I recall yesterday -- you say he has a better opinion -- if you will recall yesterday I said there had to be a melding of the two people, the two trained types of executive or whatever you might wish to call them. In the Canadian Pacific we have been working with our research department for the last ten years to my knowledge on various problems.
- Q. You have been using the type of man with the same sort of background as Mr. Hughes?
- A. Yes, but tempered with our practical experience.
- Q. Going next to page 43 again you get back to a subject that we have talked about yesterday. In the third paragraph you say:

"The British Columbia proposal introduces rigidity through the concept of maximum rates on 'captive' traffic."

Now, you agreed with me yesterday that we do have maximum



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rates im the rate structure?

- A. That is right.
- Q. Why do you say our proposal introduces rigidity, because of the concept of maximum rates?
- A. Because under the maximum rates on captive traffic as proposed by you, such rates would only -- such maximum rates would only go up to reflect the increase in cost.
 - Q. That is the only reason you say it?
 - A. That is right.
- Q. Now, there is a statement you make on page 46 that I do not quite understand, the second full paragraph where you say:

"It is clear under the British Columbia

proposal that if two railways are competing

between points A and B and the traffic

is'captive', the maximum rate will be the

maximum applicable to the low cost carrier."

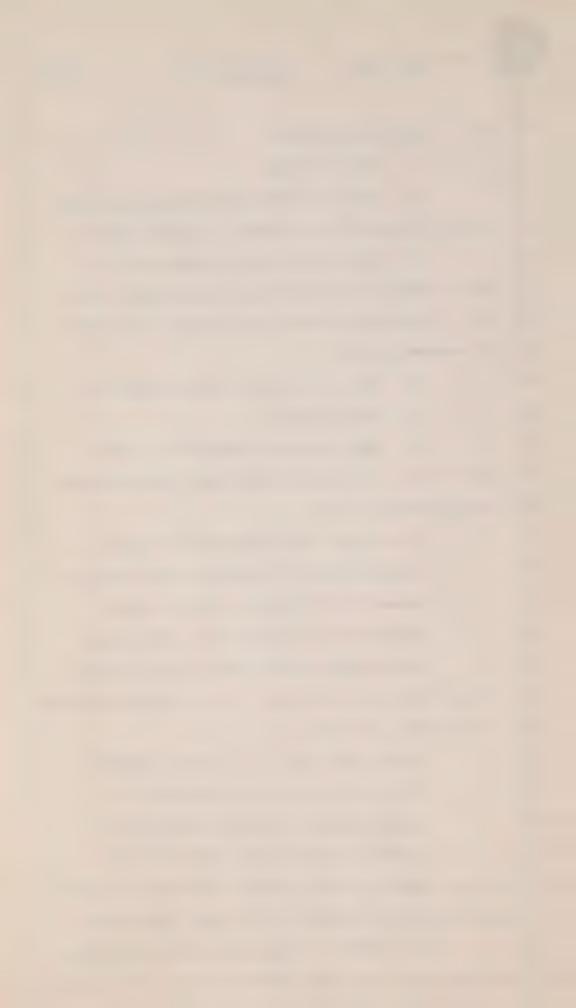
I think that part is all right. It is the next sentence

I do not quite understand:

"On the other hand, if 'captive' traffic
is not subject to rail competition the
maximum between two given points could
be that of the high cost rail carrier."

Now, as I see it, you are saying if there was only one
railway it could be subject to the high cost carrier?

A / If there is only one railway the carrier that was high cost carrier between points A and B, well, then, his costs would apply over the movement.



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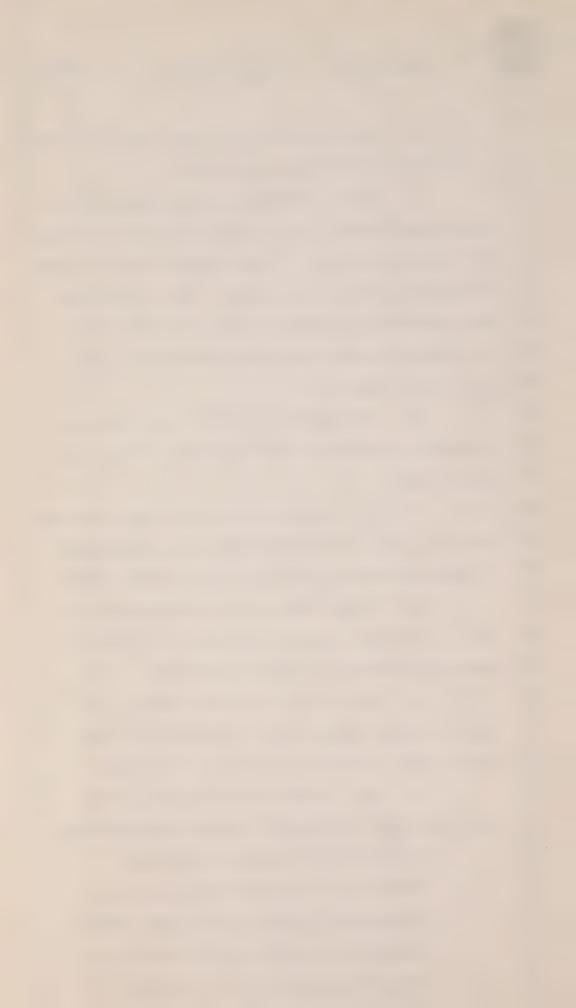
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Q. How could there be a high and low if there is only one carrier between two points?

- A. Wait a minute now, I am talking about two carriers between A and B, one a low cost carrier and one a high cost carrier. Now, between those two points the high cost carrier would apply. Now, moving with that same high cost carrier to the points the cost of the high cost carrier would apply whereas today the rates are the same.
- Q. Your suggestion is that today there is in Canada one carrier that has high costs and one that has low costs?
- A. Well, there would be in certain movements. certainly, and, of course, the Canadian Pacific Railway is always used as the yardstick in all the rate cases.
- Q. I know that, but your composition, do I state it correctly, there is one high cost railway in Canada and the other is a low cost railway?
- A. There would be instances where in one case one carrier would be high cost and in the other case the other one would be the high cost carrier.
- Q. Now, on page 49 of your brief at the end of the first full paragraph you make this statement:

"If the British Columbia proposal was adopted the freight rate structure would be much more complex and much more expensive to administer without serving the needs of shippers and railways alike any better than the system now in effect."



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Do you mean to say this, Mr. Roberts, that aside from the problems you foresee as to printing tariffs and putting it into effect that the British Columbia proposal is just as good as the system in effect at the present time?

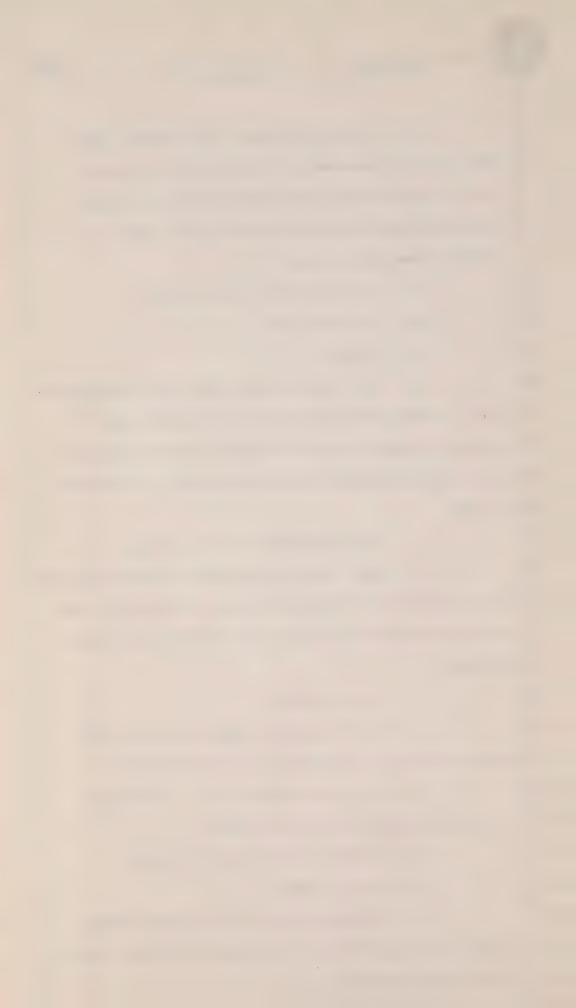
- A. No, I would not say so at all.
- Q. You would not?
- A. No, sir.

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TORONTO, ONTARIO

- Q. So it would always under any circumstances even if there were no problems of complexity about tariffs, in your opinion the British Columbia proposal would still be not as satisfactory as the one presently in use?
 - A. In my estimation that is right.
- Q. Now, I want to put to you another quotation that is taken from Railway Age Weekly of August 29,1960; these are magazines that the trade traffic men read all the time?
 - A. That is right.
- Q. Do you remember reading this one, the article entitled "Railroads to Stay Competitive"?
- A. No, I have not read it. Probably it is on my table at the back of my desk.
 - Q. You have not had time to read it?
 - A. That is right.
- Q. It was sent out to twenty-one railway traffic men in the United States, and the article ends up with this statement:

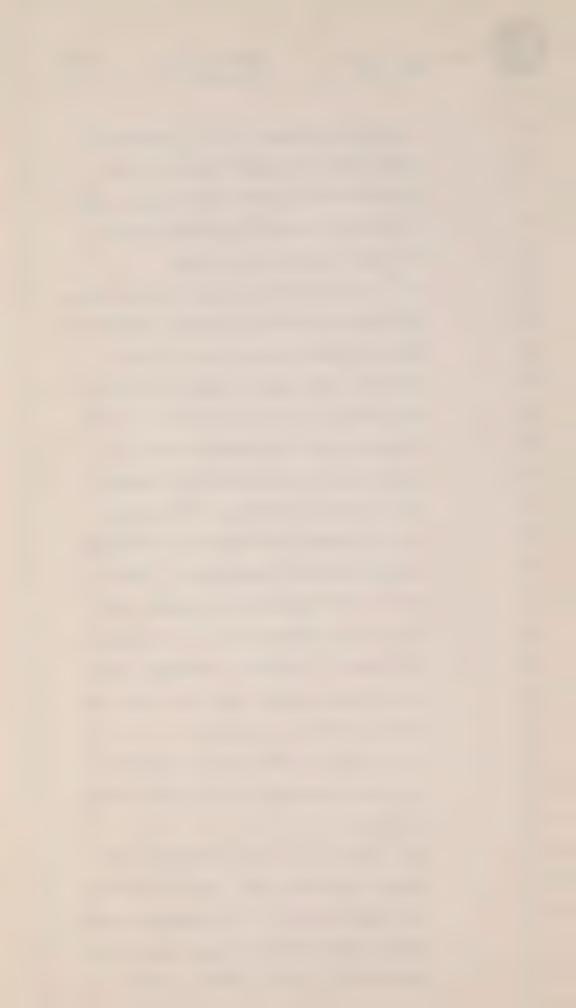
"Most of the men queried -- and most



responsible shippers, too -- would probably agree in general with the threeway approach suggested by the sales vice president of one of the eastern roads. This man outlines three steps:

- the railroad pricing structure through more practical rate making based on cost of service rather than on what the traffic will bear. (This, he points out, will probably mean a good many decreases in actual rates, but increases in revenue.

 Not all of his colleagues necessarily agree entirely with completely cost-based rates, but many of them think -- as he does -- that this general approach will involve more emphasis on such new concepts as quantity, incentive, incremental and, ultimately, contract rates where they can produce profitable volume.
- '2) A new, realistic set of charges for services accessorial to the actual freight rate.
- '3) Finding out, through greater knowledge of specific costs, what commodities
 are being handled at a loss and increasing
 these rates so the handling of these commodities will not be a drain on other
 railroad revenues.'"



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Would you have agreed had you been confronted with this flat statement of the sales vice president of the eastern railroad who is unidentified?

- A. He is speaking, of course, of the situation in the United States. I do not agree with that in Canada.
 - Q. You do not agree with that in Canada?
 - A. No, sir.

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- Q. Now, I want to ask you just one or two questions in regard to the present classification.

 Is there any attempt on the part of the Canadian rail-ways to put incentive rates into the classification itself?
- A. No, sir, the only use that could be made, in my estimation, for general application of the incentive rate -- I am sorry, I misunderstood your question.
- Q. As I understand it there are no incentive rates in the classification itself.

MR. MAURO: Yes, there is.

THE WITNESS: There are two that come to my mind, one is canned goods, 5th Class 30,000 pounds and 6th Class 40,000 pounds. If and when we feel the necessity arises we would, as we have in the past do that.

- Q. You think the classification as it stands today is quite satisfactory?
 - A. We are always working to improve it.
 - Q. And I put this statement to you and see



whether	or	not	you	would	agree	with	1t:
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" Compulsory classification
is more elaborate than desirable for
present-day conditions."

- A. Well, I think it is necessary to take care of the movements that are not regular in and of themselves.
 - Q. You do not agree with it?
- A. I think we need the classification and will be changing it from time to time as conditions in industry require.
 - Q. Now, going on further:

 "The principal factors that need to
 be considered in classification are:

 (1) kind of cars required; (2) 'loadability' (e.g. weight in relation to
 space occupied); (3) empty return ratio;

 (4) added costs entailed (e.g. loss and
 damage, or insurance risk). There is
 no longer any point in classifying
 commodities in relation to their market
 value."

Would you agree with that statement?

- A. I would agree that they are factors that enter into it.
- Q. Would you agree that they are the principal factors?
 - A. No, there are other factors.
 - Q. The final statement:



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"There is no longer any point in classifying commodities in relation to their market value."

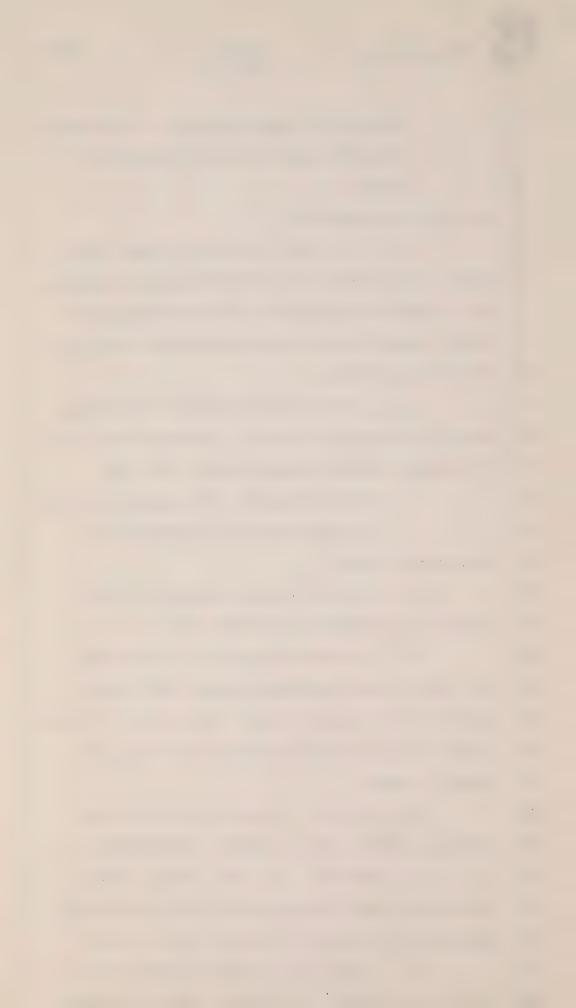
Will you agree with that?

- A. No, I think value has to enter into it. Still it is not emphasized as much as it was originally but it certainly has a place in the evaluating even in the classification that any particular commodity or material should take.
- Q. I take it in your opinion the development of the piggyback service is something that is not to be spread further through the rate structure?
 - A. The development of the piggyback service?
- Yes, you can put any commodity you want in the trailer?
- A. Well, we will put piggyback service wherever we can handle it and make money.
- Q. I think we did discuss yesterday the fact that to your knowledge there has never been a submission for increased freight rates because of change in traffic mix or changed conditions other than increase in costs?

MR. SINCIAIR: That is not what he said yesterday at all, with due respect to my friend.

MR. BRAZIER: Q. Well, can you tell me specifically where the railway association applied for an increase in rate due to change in traffic mix?

A. I would say it would be included in all our applications, it would be inherent in them by



the very method of calculating the increase.

- Q. And they are inherent in every case?
- A. Yes, sir.

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- Q. Have you ever heard any evidence led as to change in traffic mix?
- A. Change in traffic mix? Why, of course, I recounted two of them yesterday, sulphur and potash. This sort of traffic mix is occurring every day, not in such large movements but certainly there are changes in the traffic mix from day to day and month to month.
- Q. Well, it is correct to say that the railways have never applied for an increase in rate solely because of change in traffic mix?
- A. Well, not within my knowledge that I know of.

MR. BRAZIER: Thank you very much.

THE CHAIRMAN: Mr. Smith?

CROSS-EXAMINATION BY MR. SMITH:

Q. Mr. Chairman, as Mr. Sinclair mentioned yesterday, I requested that he supply me with certain information relating to statement 310 or Exhibit 162 as it now is. He is supplying me with the information but it is not yet available. I anticipate that the information, when supplied, will eliminate a number of questions which I would otherwise have asked Mr. Roberts. However, I intend to ask Mr. Roberts a few questions some of which perhaps may cover partially the information to be supplied. I trust Mr. Sinclair

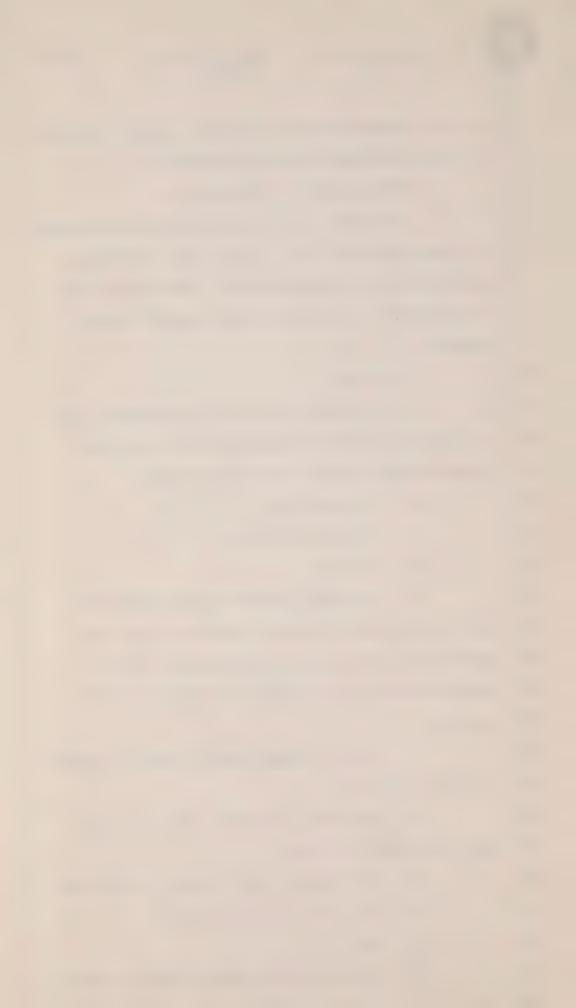


will bear with me in this regard and I shall endeavour to avoid duplication as far as possible.

THE CHAIRMAN: You always do.

MR. SMITH: Q. Well, sometimes our promises are not always fulfilled. Just a few preliminary questions for my own information. Does Exhibit 162 include traffic originated on the Dominion Atlantic Railway?

- A. Yes.
- Q. And does the term "Ontario-Quebec" used in Exhibit 162 cover the same territory as the term "Eastern Region" used in the Waybill Study?
 - A. It does, sir.
 - Q. They are identical?
 - A. Yes, sir.
- Q. Now, may I refer to this Exhibit 162 and I observe that on lines 21 and 25 you show for agreed charge rates within the maritimes and from Ontario-Quebec to the maritimes an increase of 8.9 per cent?
- A. Within the maritimes we show an increase of 8.9 per cent only.
- Q. And then from Ontario-Quebec to the maritimes what do you say?
 - A. I am sorry, that is right, 8.9 per cent.
 - Q. They are both 8.9 per cent?
 - A. Yes.
- Q. These increases are the highest shown on the statement of traffic moving at agreed charge rates,



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are	they	not?	

- A. That is correct, sir.
- Q. Now, would you agree that the Canadian

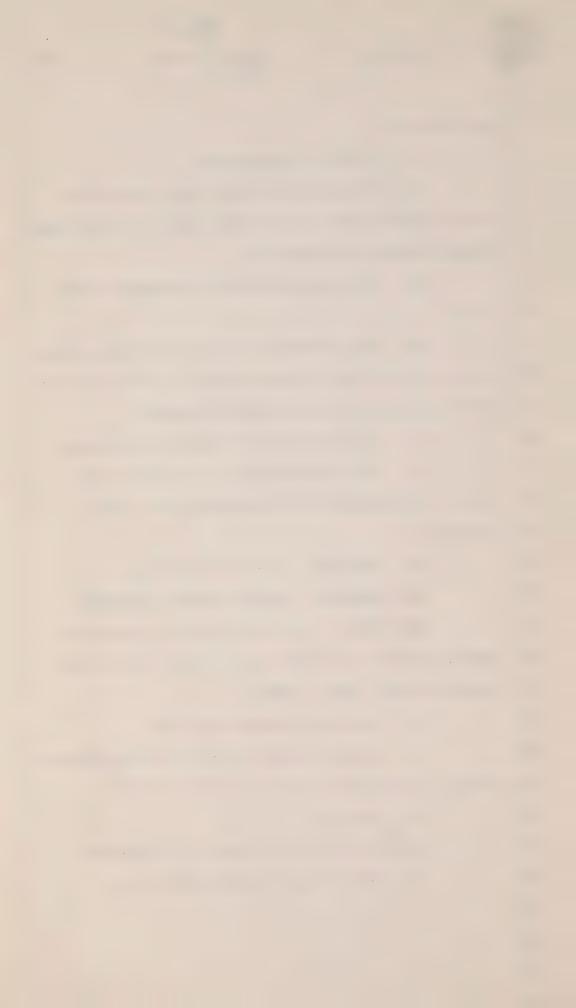
 Pacific Railway serves only a small part of the maritimes,
 roughly west of New Brunswick?
- A. Our coverage is not as extensive as the C.N.R.
- Q. As I understand it your main track mileage for the C.P.R. itself in the maritimes is about 557 miles Would you know that of your own information?
 - A. I do not have the information available.
- Q. And I think the D.A.R. is about 845 miles -- the Canadian Pacific and the D.A.R. total 845 miles?

MR. SINCLAIR: We will accept that.

THE CHAIRMAN: And the Canadian National?

MR. SMITH: Q. I have not the figures for Canadian National, but the total mileage of the C.P.R. system in Canada, what is that?

- A. Seventeen thousand-odd miles.
- Q. And the mileage in the Atlantic provinces, have you information on that of all the railways?
 - A. No, sir.
 - Q. I put to you a figure of 4,163 miles?
 - A. Well, I would accept that figure.



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yes.

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Q. In other words, the C.P.R. mileage in the Atlantic provinces is 20 per cent of the total?

A. Yes.

- Q. Could you tell me, Mr. Roberts, what percentage of the maritime originating traffic shown in Exhibit 162 is of the Waybill sample of all traffic originating in the Atlantic provinces during the period December 1st, 1958 to November 30th, 1959?
 - A. I would have to get that figure for you.
 - Q. You could get it for me?
 - A. Yes.
 - Q. It would be relatively small, wouldn't it?
- A. In relation to the picture as a whole, it would be small.
- Q. Yes, because of the fact that the C.P.R. serves a lesser part of the Atlantic provinces?
- A. That is right.
- Q. In that respect I suggest it is not representative of all the traffic originating in the maritimes?
 - A. Well, we are presenting the picture ---
- Q. You are presenting the case for the C.P.R.;
 I understand.
 - A. . . . so far as the C.P.R. is concerned,
- Q. May I refer you to line 12 of your

 Exhibit 162 in which it is shown that the competitive rated traffic moving from the maritimes to Ontario and Quebec produces more revenue than normal rated traffic



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that is shown on line 2. I suggest that is not representative of traffic generally?

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A. Excuse me, we are speaking of line 12, which is the maritimes?

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Q. Maritimes to Ontario and Quebec.

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A. You are talking of total revenue --

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\$16,000?

Q. \$16,310.46.

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A. Yes.

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Q. And on line 2,\$9,204.84?

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A. That is correct, in relation to dollars,

13 yes.

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Q. In relation to dollars, yes?

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A. Yes.

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Q. What I am suggesting is that that fact is not representative of traffic generally from the maritimes region to the eastern region. Could you speak as to that or would that be matters within your

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knowledge?

A. Well, of course, this is a sample, and it is ---

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Q. This is a sample that you found, but what
I am suggesting is that it is not representative of all
traffic?

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A. We are moving a lot of traffic from the maritimes to Ontario and Quebec at competitive rates.

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Q. I will give you an example: the

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\$16,310.46 of revenue shown in line 12 is, as I calculate it, about 46 per cent of the revenue of all traffic moving



Q. And I say the amount shown in line 12

Q. You refer to the 1959 Waybill Analysis:

the competitive rated traffic moving from the maritime

region to the eastern region, I am instructed, produces

only 16 per cent of the revenue of traffic moving from

Q. I will just show you this; it is a

little hard to follow, I admit. I am saying that

competitive and agreed charges, and competitive as a

Could I get ... ?

from the maritimes to Ostario and Quebec, and that is

is 46 per cent of the amount shown in line 32?

That is right.

shown as \$35,002.77?

Α.

Α.

A.

Yes.

the maritimes to Ontario and Quebec?

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Q. The Waybill Study shows \$39,063 and the total is \$240,000. A. Where is that?

A. Yes.

is 16 per cent?

ratio of the total? MR. SMITH: That is right.

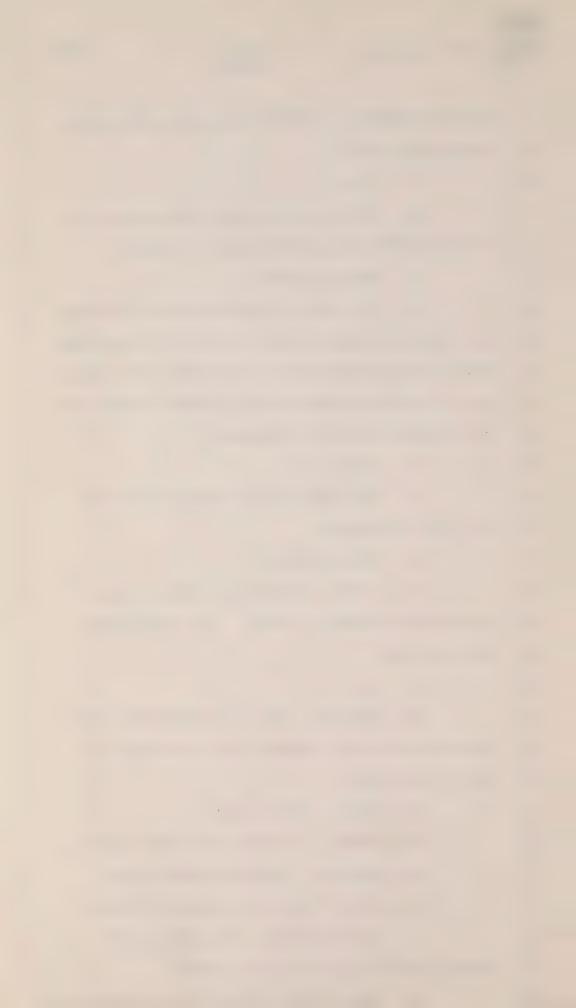
THE WITNESS: You have done some figuring.

MR. SINCLAIR: That is an addition of non-

MR. SINCLAIR: Subject to check, yes.

MR. SMITH: Very well, subject to check.

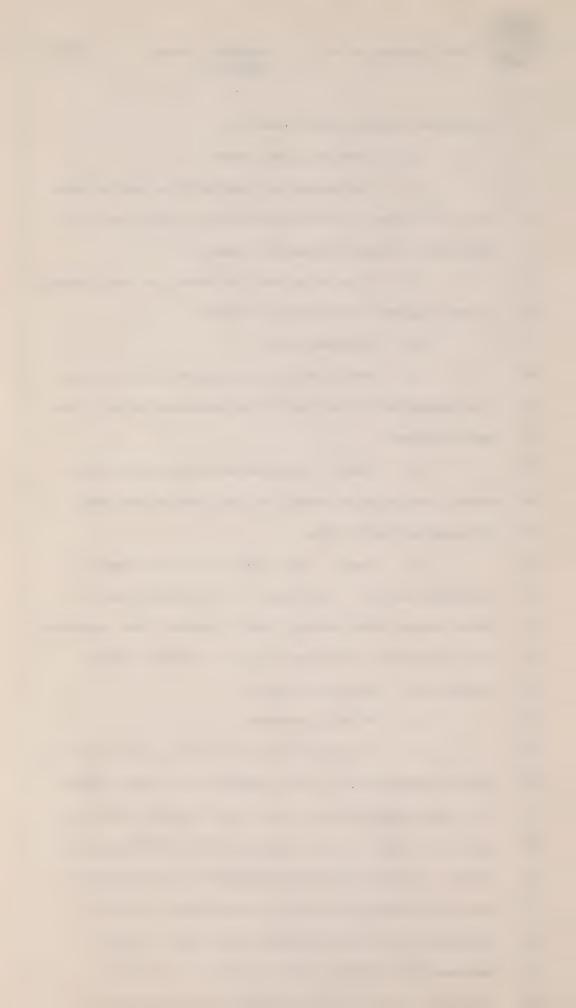
- Q. In other words, your ratio is much greater than shown in the Waybill Study?
 - A. That is right; 16 per cent in the Waybill



Study and roughly 40 per cent ---

- Q. Forty-six per cent?
- A. Forty-six per cent in this sample here.

 This, of course, is Canadian Pacific, again, we must remember, whereas the Waybill Study ---
- Q. I quite agree with that: you are putting in the figures from your own company?
 - A. That is right.
- Q. But I am trying to point out it is not representative of the traffic which moves to and from the maritimes?
- A. Well, I imagine there is more traffic moves from Atlantic points on the Canadian National Railways in Nova Scotia.
- Q. Yes. Now, just a few questions of a general nature. On page 7 of your brief you state, among other things, that a general rate increase must not favour a shipper of one commodity over a shipper of a competing product?
 - A. That is correct.
- Q. I suggest to you that the present method favours the shipper of one commodity over the shipper of a competing product, and I will instance this suggestion of mine: say a manufacturer in Toronto, for example, is selling stoves in Montreal; he can escape the rate increase because of competition, in many cases, and, in fact, in this case, while the manufacturer at Sackville, New Brunswick, selling a competing line of stoves in Montreal must bear the



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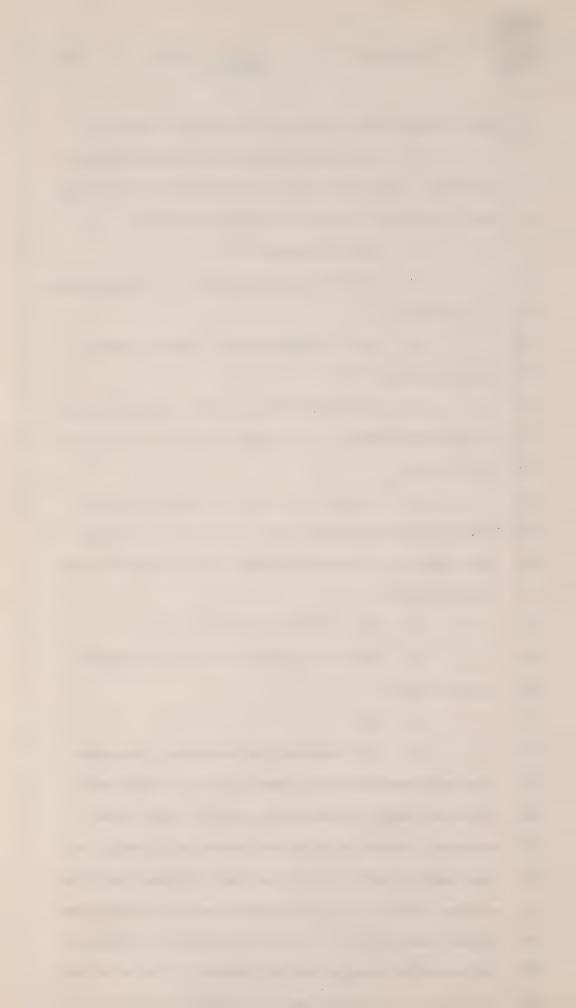
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full amount of the increase; is that not correct?

- A. Well, he can escape the increase and, likewise, I would say there are opportunities for the man in Sackville to escape the increase too.
 - Q. By what method?
- By some competing mode of transportation -- by truck.
- But if there is no competing mode of transportation?
- A. Well, if there is not a competing mode of transportation, of course the increase would apply to his rate.
- ` Q., In any event, due to competition you have the same situation, have you not - one shipper of one commodity is being preferred over a shipper of the same commodity?
 - A. No, sir, not preferred at all.
- Q: Well. I suggest he is; but we differ on that point?
 - A. Yes.
- Q. Mr. Roberts, in discussing horizontal rate increases with hold downs, on page 21 and the following pages you state, at page 22, that these horizontal increases with hold downs would result in some traffic that can take the full increase not doing so thus unfairly placing on other traffic an additional burden, and you go on to say this would be so because the reduction through the application of the hold down would have to be reflected in a higher percentage of





increase and all traffic to which the hold down did not apply would have to pay that higher percentage increase and thus provide the revenue lost by not applying the increase proportionately to all the traffic involved. That is the statement in your brief at page 22 and the following pages?

A. That is correct.

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- Q. I suggest to you under the present horizontal method of rate increases traffic which is subject to intense competition is able in many cases to escape a rate increase in full or in part and is, therefore, subject to what amounts to a hold down?
- A. Well, if you apply the hold down, that hold down governs on all of the traffic that is covered by the hold down. When you apply a straight general percentage increase, in some cases, of course, due to competition we have to take all or part of the increase off a particular rate or rates, but we do retain the full increase on other portions of the traffic. If we apply the hold down we would lose that increase on this balance of the traffic.
- Q. I am suggesting to you that the present method of horizontal increases across the board is one which contains competitive hold downs, and I suggest it unfairly places an additional burden on traffic not subject to intense competition; do you agree with that statement?
- A. No, I don't say the present method contains hold downs at all. We apply the increase across



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all or part of it. This is not the application of a hold down principle. It is just a question of meeting competition. Q. But in essence it has the same result as a hold down, due to competition, as you say?

No, sir, I could not agree with that,

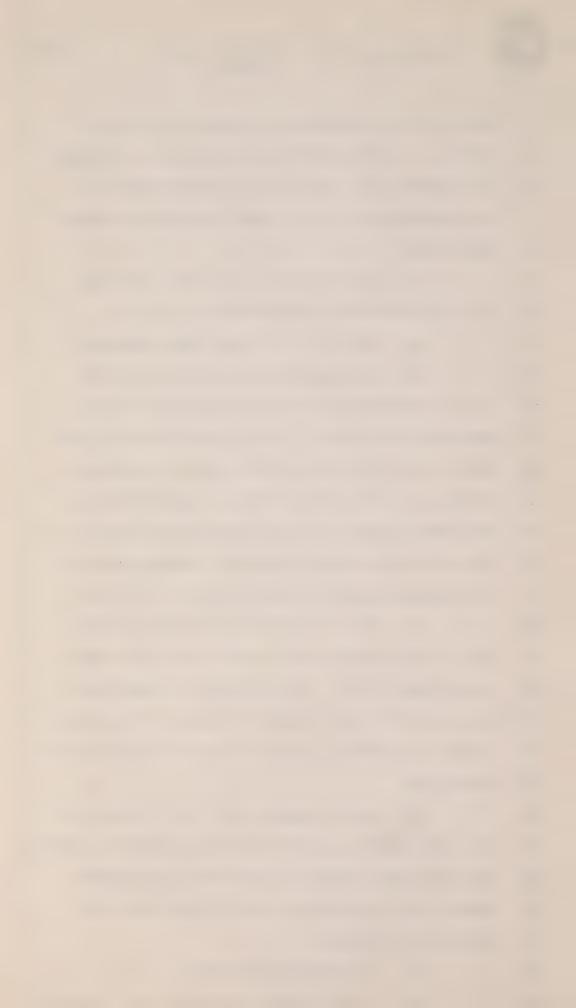
necessary -- and in places it is necessary -- to remove

the board to all movements of traffic and it may be

- Q. My suggestion to you, then, is that because the reduction through the application of the competitive hold downs -- what I call competitive hold downs -- has to be reflected in a higher percentage of increase, and all traffic to which a competitive hold down does not apply has to pay that increase and thus it provides the revenue lost by not applying the in-
- A. No, sir, I don't agree because if you apply a hold down you have to make up the difference on the other traffic. It just means that your percentage portion of the increase is higher. It applies to short haul traffic and you make that more susceptible to trucking.

crease proportionately to all the traffic involved?

- What I suggest, and I don't expect you will agree with it, is that the present method of applying horizontal rate increases has the same objectionable features that you state you found in horizontal increases with hold downs?
 - A. I don't agree with that.
 - I didn't expect you would, sir. Could I Q.



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You don't think so? Q. .

A. No, sir.

refer you to page 38 where you deal with the question of "At and East" grain rates? My understanding is, and you can correct me if I am wrong, that these rates were originally established for the movement of all Canadian grain - to encourage the movement of Canadian grain via Canadian routes and Canadian ports?

- That is correct.
- In your brief you mention the United States railroads reduced the grain rates from such places as Buffalo and New York and other Atlantic ports to meet seaway competition?
 - A. That is correct.
- Q. The question I am about to ask is, will this mean that Canadian export grain will tend to move via U.S. ports?
 - We don't think so. Α.
 - Q. Routes and ports?
- A. We don't think so, otherwise it would have started to move before this. The lower rates in effect from Buffalo have been in for a year now and we haven't any evidence of a move over to United States ports.
- Q. I suggest that an increase in the Canadian rates will tend to divert further Canadian export grain to U. S. ports, or indeed from Atlantic ports to other Canadian ports?
 - A. I don't think it will.



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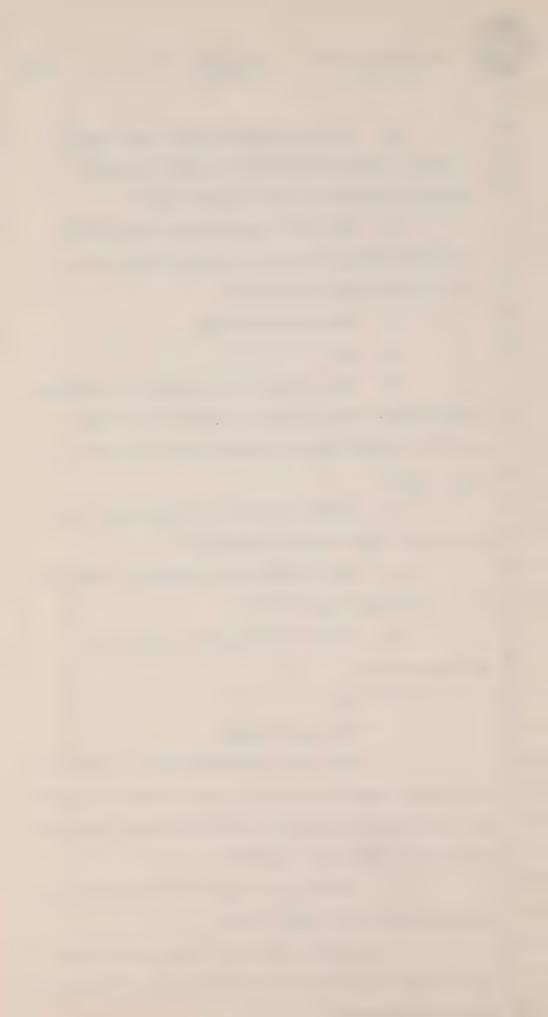
My understanding is that the movement of grain to Halifax and Saint John was for grain parcels in the liner trade; is that right?

- A. Well, the elevators are there filled with grain and they provide a cargo for ships which call at Halifax and Saint John.
 - Q. And take part cargo?
 - Α. Yes.

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TORONTO, ONTARIO

- Q. But if there is a diversion of Canadian grain to other ports, isn't it probable the liners calling at Saint John and Halifax will be diverted to other ports?
- You say if there is a diversion, and I don't think there will be a diversion.
- Q. But if there was a diversion, that would be the tendency, wouldn't it?
- A. If there was no grain available in West Saint John?
 - Q. Yes.
 - This might happen. A .
- Q. And if that were the effect, wouldn't it also deprive Canadian Facific of the carriage of export and import traffic which they would possibly enjoy from Halifax and Saint John otherwise?
- A. I would say we would still have our own ships calling at West Saint John?
- Q. But the liners that would call to pick up the part cargo would not normally come to those ports; isn't that correct?



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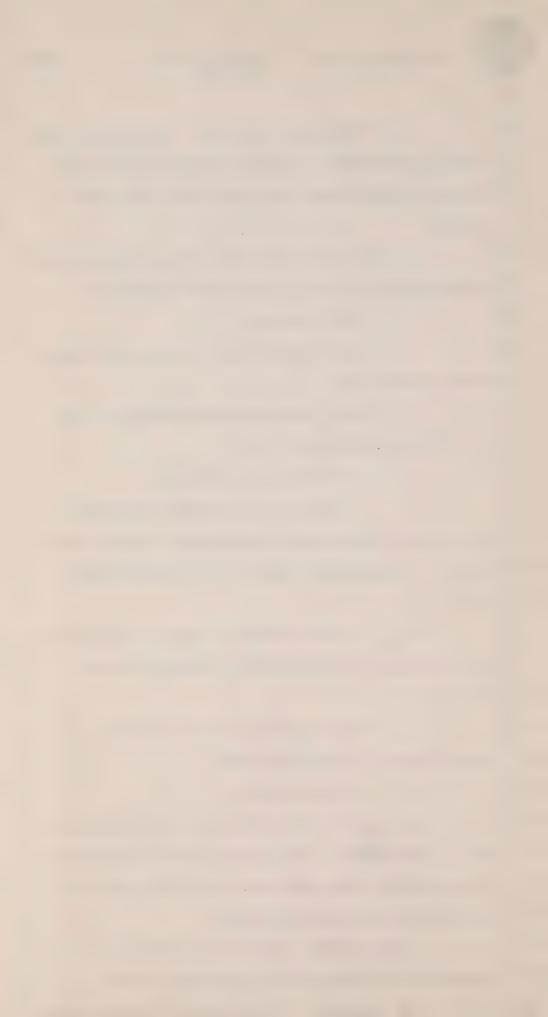
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- That may be the case. This is all some-A . thing in the future. I don't agree, of course, that the grain will go away from either West Saint John or Halifax.
- You know that the American railroads have 0. reduced rates on grain to meet seaway competition?
 - That is correct.
- ۵. Has Canadian Pacific experienced similar seaway competition?
- Α. Well, there has been competition, yes. but not in our estimation ---
 - Q. . On the Atlantic seaboard?
- A. --- not in our estimation necessary to take drastic action such as the American railways have taken. We think the seaway is in a settling down period.
- Q. A certain amount of grain is now moving from the lakes to the maritimes by water; is that correct?
- From the head of the lakes there is a Α. certain amount of feed grain moved.
 - Any export grain? Q.
- Not to my knowledge -- to the maritimes, Α. sir? There may be. They would take advantage of it if they could because the water rates are lower than our present"At and East"grain mtes.

THE CHAIRMAN: What is the extent of the increase on the grain rates to West Saint John?

MR. SINCLAIR: The present difference between

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the related basis and the lack of relation that now What is the spread between the U.S. ---

THE WITNESS: Oh, 4 cents was the reduction put in by the American railways.

MR. SINCLAIR: The spread is now 4 cents per hundredweight?

THE WITNESS: Yes.

COMMISSIONER MANN: Mr. Roberts, under

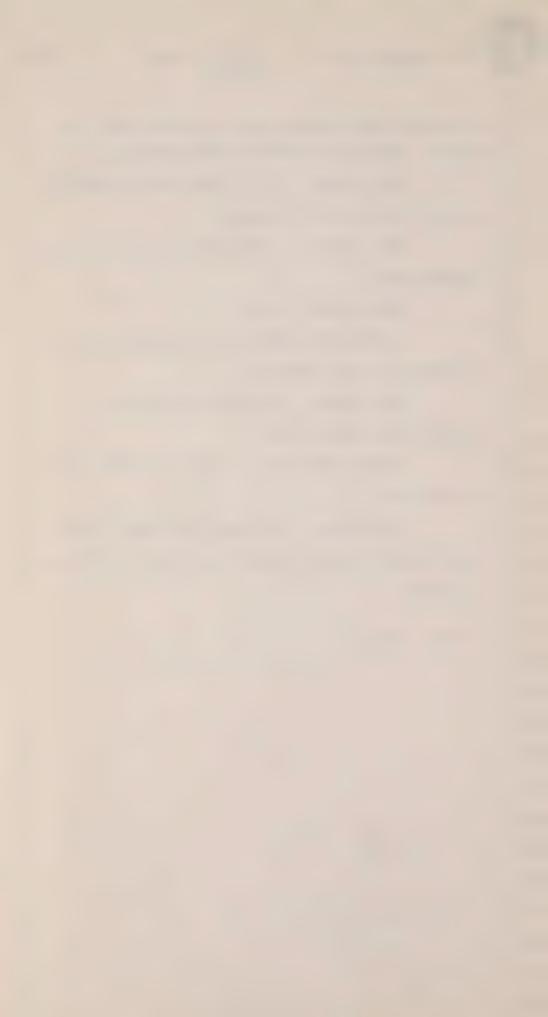
X223 what will that spread be?

THE WITNESS: Four and a half cents -no; three and a half cents.

COMMISSIONER MANN: Well, the American rates are going up?

THE WITNESS: Seventeen and a half cents -they will stay the same because our rates are going up. I am sorry.

---Short recess.





ANGUS. STONEHOUSE & CO. LTD. Roberts, cr.ex. (Smith)

THE CHAIRMAN: Order, please.

MR. SMITH: Q. Now, may I refer you, Mr.
Roberts, to page 27 where you are dealing with flat
increases in cents per unit of traffic. And at page 27,
as I read your precis, you state that such a method of
increases would be impracticable with the very wide
range of transportation characteristics, value and
length of haul, etc.

A. That is right.

Q. What I am suggesting to you, Mr. Roberts, is that effective yesterday, October 24, 1960, a general rate increase occurred in the United States under tariff and increased rates and charges X223. You, of course, are familiar with that?

A. Yes, sir, that is right.

Q. And, as you know, the tariff, among other things, authorizes a general rate increase of one-half a cent per 100 pounds on rates not exceeding 65¢?

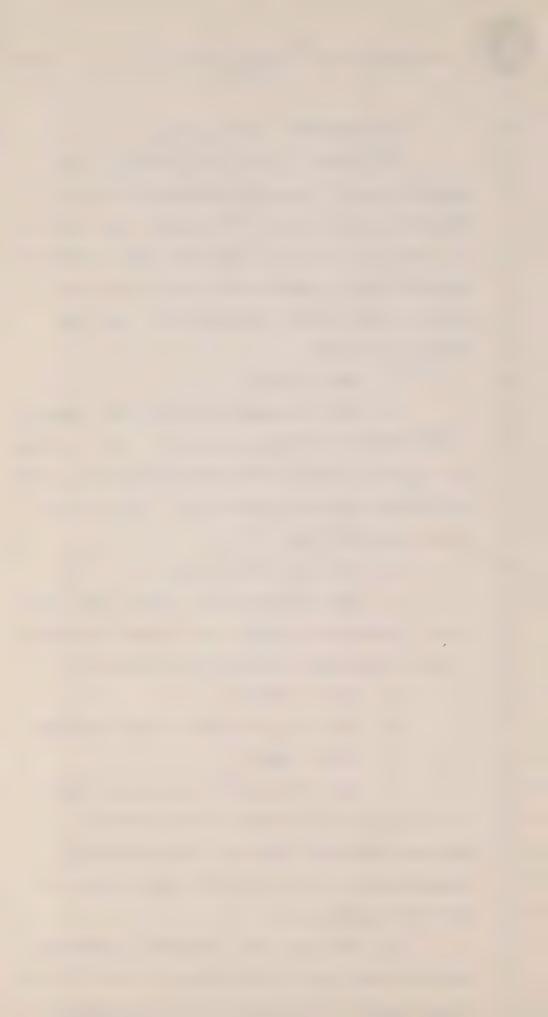
A. That is correct.

Q. And 1¢ per 100 pounds on rates over 65¢?

A. That is right.

Q. Now, to assist the Commission, I wonder if you could tell me whether the transportation environment in Canada would make a rate increase of varying amounts for different rates such as found in that tariff impracticable?

A. Well, Mr. Smith, you have to examine the amount of money that they were aiming for, and the level of the increase. An increase of 1¢ per 100 pounds on



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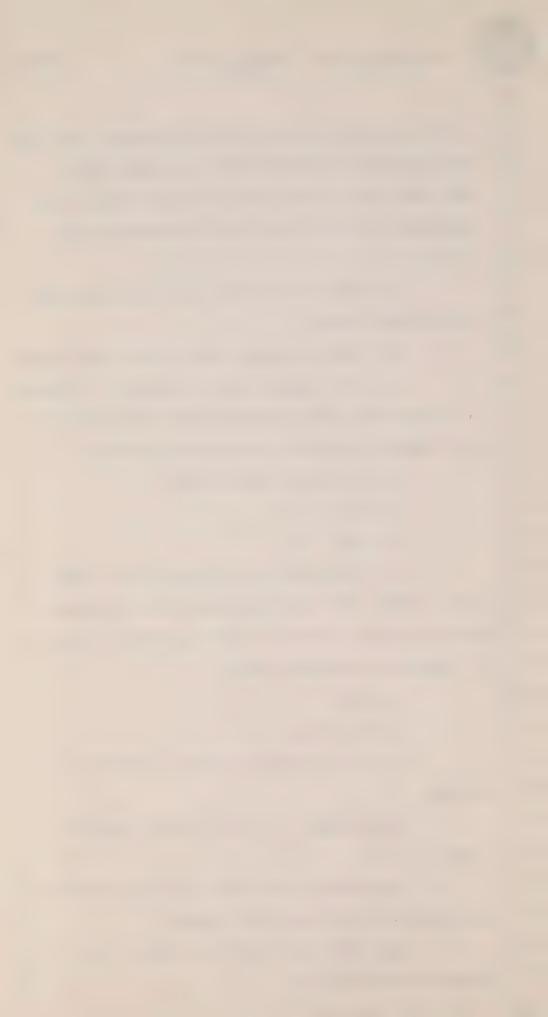
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all rates over 65¢.	Now, so	far any	increases	that have
been authorized by	the Board	have bee	en substant	ially
above that. So, I	think you	have to	look, exam	mine the
application itself	and the re	esult in	comparisor	with
Our own				

- But, in any event, that is what was done in the United States?
 - A. That is what was done in the United States.
- Q. And I suggest also, Mr. Roberts, that that is not the first time the United States railroads have made a general increase by varying flat amounts?
 - A. By varying flat amounts?
 - 0.0 Yes.
 - A. Only?
- Q. I referred to -- not only, but in other rate increases, the tariff increased rates and charges also at varying increases in cents per hundred pounds for different commodities, X212?
 - A. X212?
 - Q. Yes, X212.
- A. Well, it had percentage increases as well as that.
- THE CHAIRMAN: Is that principle right or wrong?
- THE WITNESS: Well, sir, as I said before, in my estimation it is wrong, Mr. Chairman.
- MR. SMITH: Q. That is the view of the Canadian Pacific Railway?
 - A. Yes, sir.



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0.0 It is wrong in the United States, and it is wrong in Canada; would you say?

A. Well, they have to look at their own situation. I am not telling them what they should do in the United States. I am saying what the position is as I see it in Canada.

Q. At least, they have done it?

A. They have done it under their own conditions.

Q. Now, another topic, and I am pretty well through. In discussing exhibit No. 162 with Mr. Brazier, he suggested to you at page 17760 and 17761 that the burden of the 17% rate increase fell more heavily on the people of the various regions because one had to take into consideration the number of people over which the increase would be spread. Do you recall that suggestion?

A. I recall the questioning, yes.

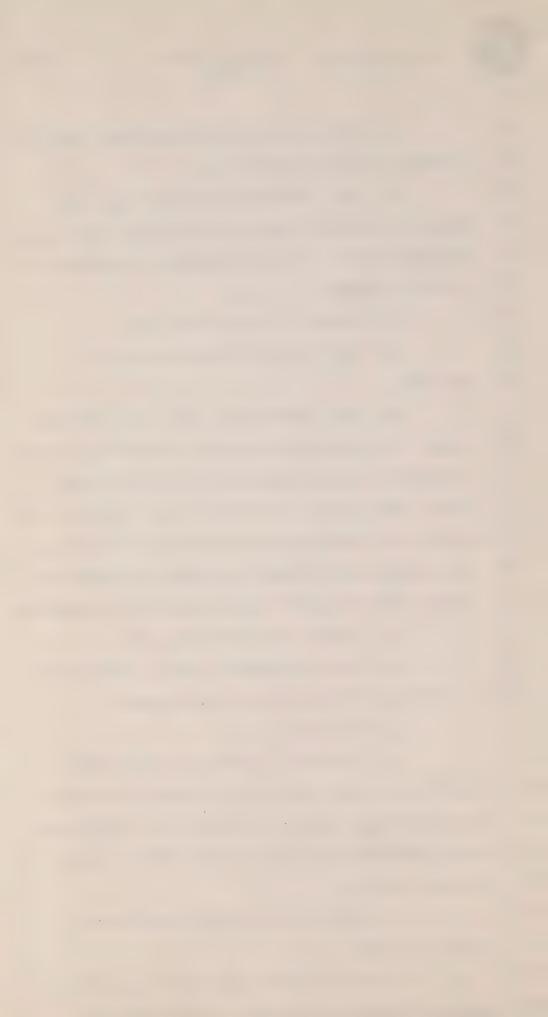
And at the pages to which I referred, he gave instances of that by way of percentages?

A. In dollars?

Q. In dollars, \$5.86 for Ontario-Quebec; \$15.56 for the west; and \$8.72 for competitive traffic in the Maritimes. And on non-competitive, the figures were: Ontario-Quebec \$2.07; the west, \$7.93; and the Maritimes, \$5.15?

A. Those are the figures taken from the transcript, yes.

Q. Now, I am also suggesting to you that, in addition to those circumstances, it would also be



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necessary to give consideration to the ability of the people carrying the burden to pay do you agree with that suggestion?

A. Well, first, of course, Mr. Smith, you have to remember that the people in western Canada are spread over a large territory. There are fewer of them, and they are spread over a large territory.

Now, they pay proportionately for the transportation that they receive, Certainly, the concentration of population is in Ontario-Quebec, but if you take it down really finer than that, you will find that, say, in Toronto, in Metropolitan Toronto, there is almost as many people, say, as in western Canada, or in any one province of western Canada.

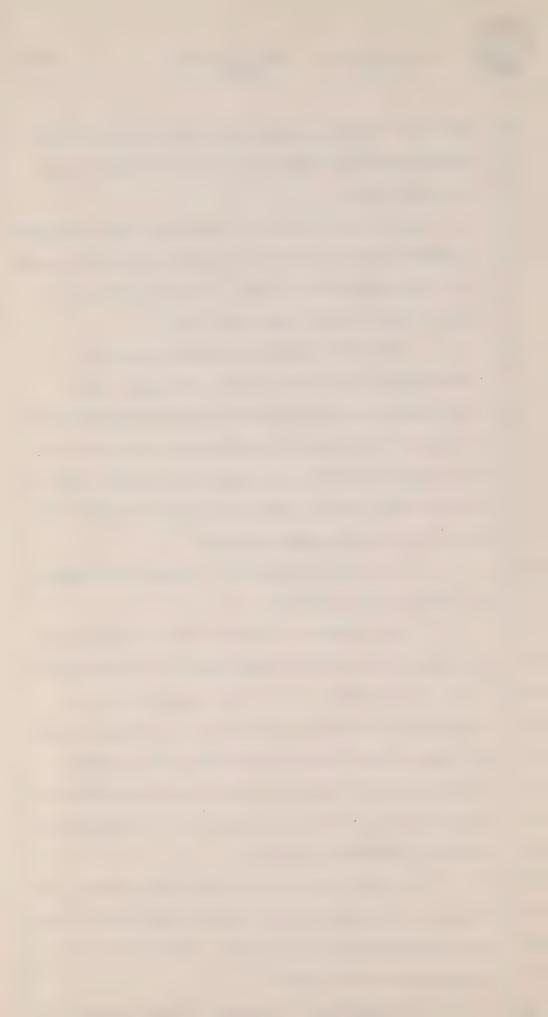
Q. I do not think so. I think your figures are just a little bit off.

MR. SINCLAIR: More than there is in British Columbia, anyhow; and more than there is in Alberta too.

MR. SMITH: Q. In other words, what I am suggesting, Mr. Roberts, in addition to the point which Mr. Frawley made, that the per capita, the personal income per capita should be taken into consideration in respect to territories, in measuring the burden on the people in the various areas, ---

A. Well then, if you start doing things like that, you should measure the burden on the person of the particular products he is buying. Why restrict it to transportation, Mr. Smith?

MR. SINCLAIR: I suggest, if he is going into



this, it should be "disposable income". It might be so, that the Maritimes have more disposal income than the people in Toronto, and not only that, in the Maritimes it may be the highest of all.

MR. SMITH: Q. Just one other matter, Mr. Roberts.

In discussing the application of a general increase with Mr. Cooper yesterday, as found in volume 106, page 17697 onward, you, as I took it, disagreed with Mr. Cooper's questions. At the bottom of page 17697, the question read:

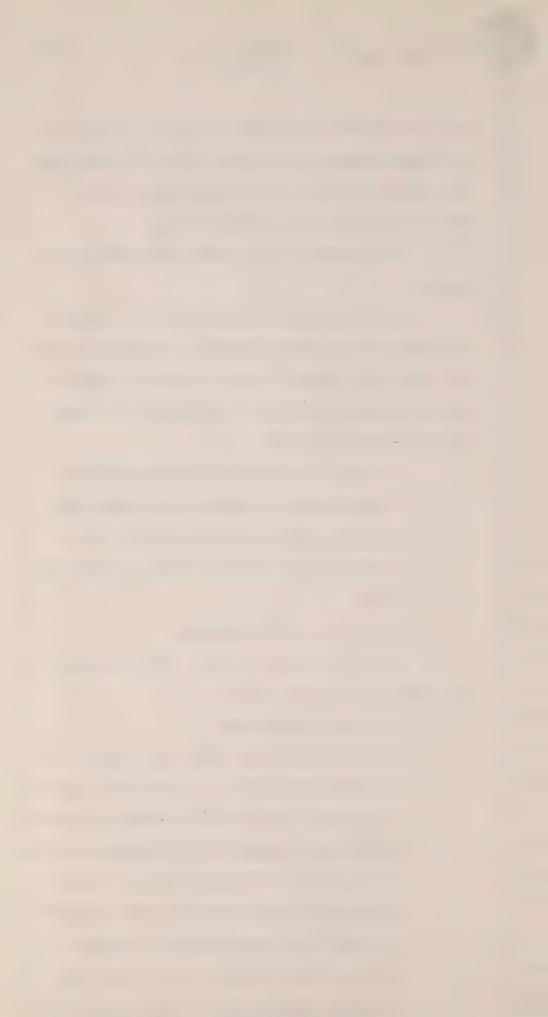
"In fact, it is known before any general revenue case is brought to the Board that certain rates will not in fact be able to take that full increase which is being asked for?"

Can you find that question?

A. Yes, I have it, sir. That is not the full question, of course, sir.

The full question was:

"Q. Does not that result, Mr. Roberts, in, in effect, selective increases being applied, in spite of the fact that we speak of general percentage increases and horizontal percentage increases as if that increase was to apply equally throughout the whole rate structure? In fact, it is known before any general revenue case is brought to the Board that certain rates will not in fact be able to



for?"

competitive rates?

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cite an example to you. When you are preparing an application for an increase, you know in advance that

Well, my question is this, and I just want to

take that full increase which is being asked

certain competitive rates will not be increased, do you It will not be possible to increase certain

A. I would not say before we make the application, Mr. Smith. We may find in the interim that it will not be possible for us to put the application, the increase on as it is authorized.

Q. But, at least, at the time that your evidence is given before the Board, you know pretty well in advance; do you not?

Well, in certain instances, we did not apply the increase. I think there were only two cases, and they were the incentive rates between Montreal and Toronto and the incentive rates out of Winnipeg.

I see. But, at least, insofar as that is concerned ---

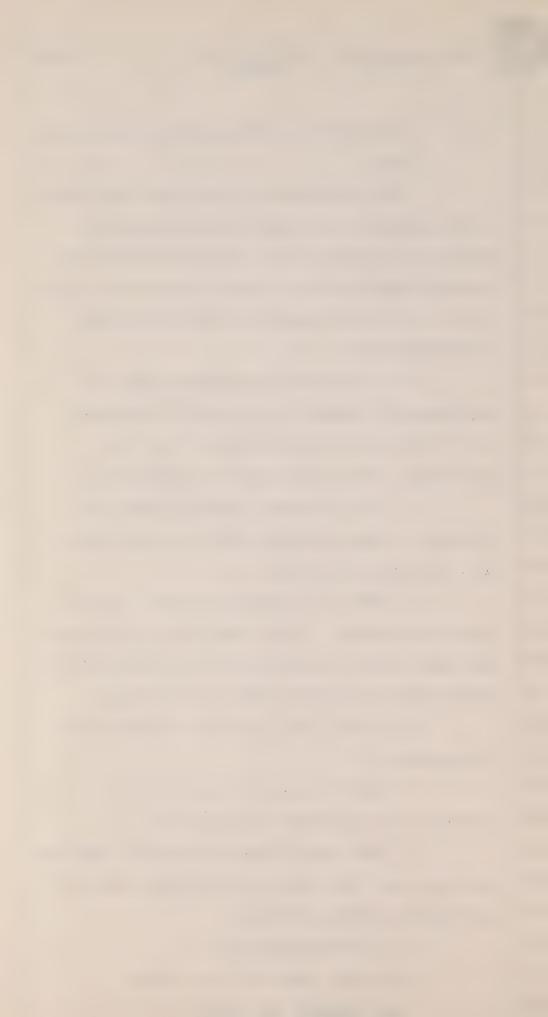
That is about the only ones to my knowledge that the 17% was not applied to.

Are you quite sure as to that: those are the only ones? The incentive rates between Montreal and Toronto and out of Winnipeg?

A. To my knowledge, yes.

MR. SMITH: Thank you, Mr. Roberts.

THE CHAIRMAN: Mr. Mauro?



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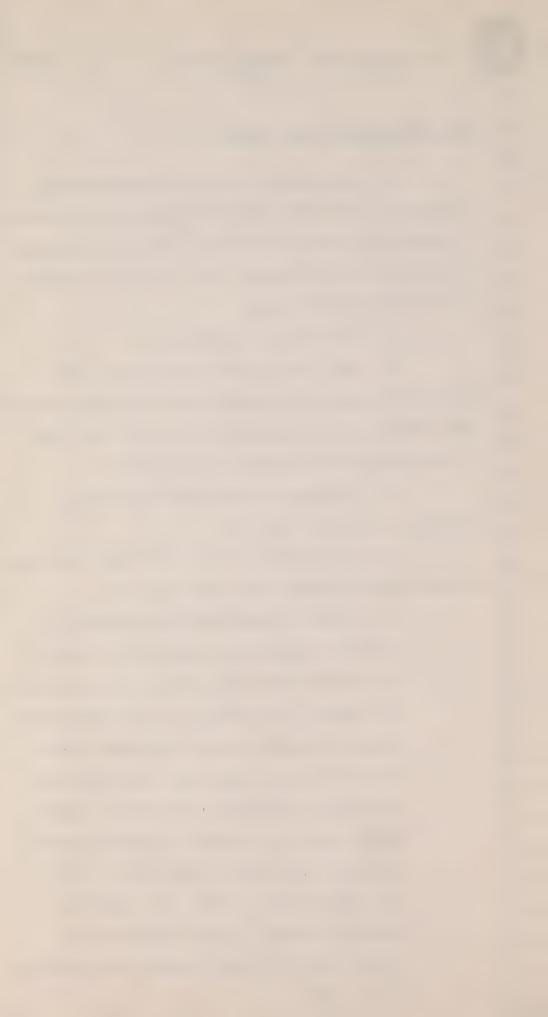
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CROSS-EXAMINATION BY MR. MAURO:

- Mr. Roberts, you told my learned friend, Mr. Sinclair, yesterday, that this submission was written by yourself or under your direction and advice, and that it represents the best opinion that the C.P.R. can offer on the matters dealt therein?
 - A. At the time of writing, sir.
- And I take it, then, that we can start tomorrow for example, by agreeing that the present freight rate structure is completely unrealistic and that this is the opinion of the Canadian Pacific Railway?
- A. The present freight rate structure is completely unrealistic? No, sir.
- Q. Would you turn to page 50 of your submission, and the following appears, and I will read it:

"I am unable to understand how the Board of Transport Commissioners would ever be able to fix maximum rates which were only to be adjusted for changing costs and not to take into account changing conditions unless the maximum rates were set at such a high level that they would be completely unrealistic and would be there only to take into account all possible future variations and changed conditions. If this were done we would be back, even under Mr. Brazier's proposal, to the situation as it exists under the present freight rate structure,"

A. No, sir.





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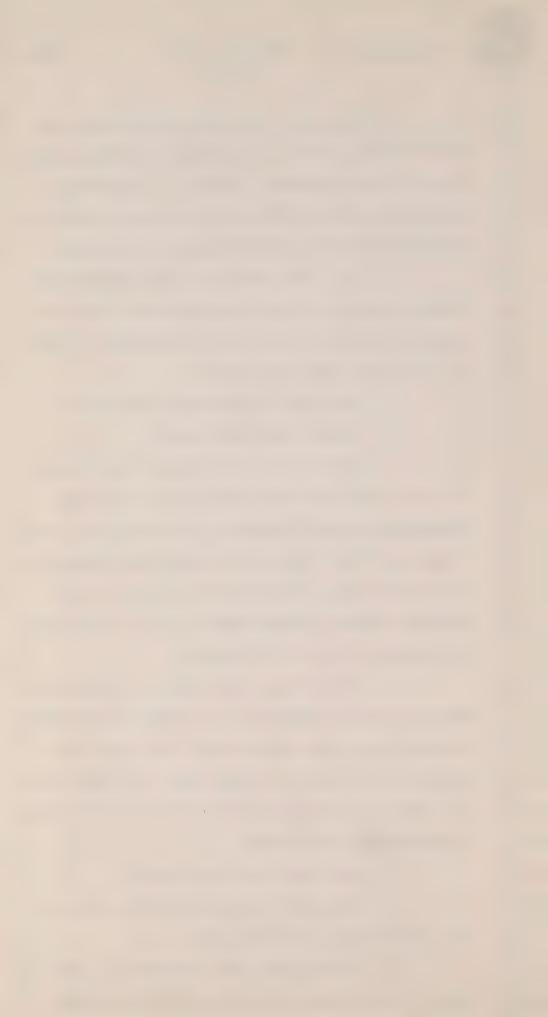
Q. Now, as I read that paragraph you say if the British Columbia proposal were adopted setting these very high maximums it would be completely unrealistic, and at best we would be back to where we are today under the present freight rate structure?

A. No, sir, that is not the thought at all because under the British Columbia proposal the non-captive traffic, the rates on the non-captive traffic could be higher than the maximum.

- Q. And that is completely unrealistic?
- A. Higher than the maximum?
- Q. Well, unless the maximum rates were set at such a high level that they would be completely unrealistic; unless the maximum rates were set at such a high level that they would be completely unrealistic: if this were done, we would be back even under Mr. Brazier's proposal to the situation as it exists under the present freight rate structure?

A. Well, this is, Mr. Mauro, on the basis that the traffic eventually — the rates on the traffic eventually would have to be moved to the level that would move the traffic, and therefore reflecting value of service, and we would be back to where we are today, operating under the ceiling.

- Q. But that is not unrealistic?
- A. Well, not when you are making rates to move the traffic. Not at all, sir.
- Q. On page 50, you do not mean to infer, even if in fact you did say there that the British





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Columbia proposal is completely unrealistic, and even with Mr. Brazier's variation we come back to the thing that we had today, the same setup we have today, you do not want to intimate that what we have today is completely unrealistic?

A. No. sir.

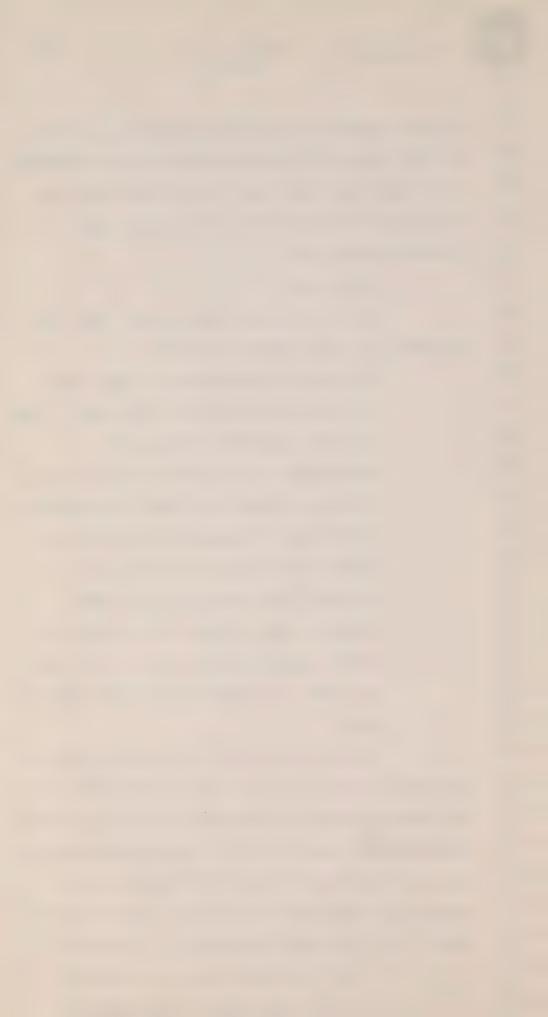
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Q. Now, at page 4, Mr. Roberts, part way down the page, this statement appears:

> "It must be recognized that freight rates, to be just and reasonable, should not be used to offset geographic advantages or disadvantages of any given producer or area. Nothing is clearer than that the jurisdiction of the Board of Transport Commissioners is not that of an economic planning board. Obviously, if it was to be an economic planning board, it would not only have to control transportation costs, but all other costs that are elements in the sale price of goods, "

I wonder, Mr. Roberts, if you could tell the Commission whether or not in your experience you have had representatives of governments or industry who are considering the possibility of establishing an industry in a particular area who had to have guarantees or particular freight rate structures in order to permit them to get into markets to establish the industry?

- Not, Mr. Mauro, within my experience.
- Do you think that it ever happened? A.



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A. It may have happened years ago.

Q. How many years ago?

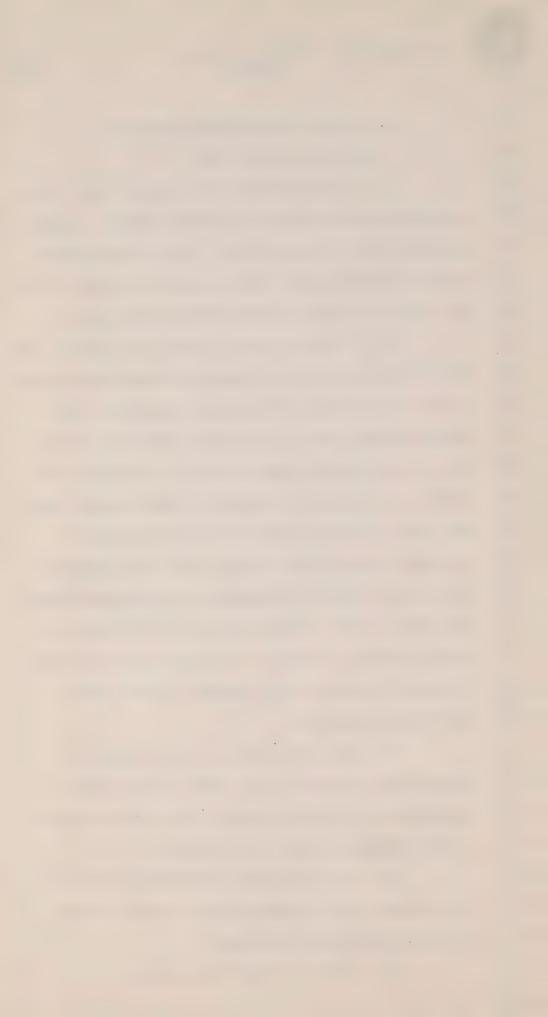
A. I think probably, Mr. Mauro, that a case in point would be movement in wastern Canada; gypsum into Fort White. The rates as I recall them remained constant over the years until a case was brought before this Board, the Board of Transport Commissioners.

Q. I want to make it clear, Mr. Roberts, that where I am going is not to suggest any nefarious scheme on the part of either railroads or shippers. I am heading towards the goal of showing and demonstrating that in fact railways and decisions of railways, the decision of the Board of Transport Commissioners, have very direct economic impact on the development of geographic areas of this country, and I am suggesting that you are contacted frequently by governments and/or industries who are contemplating the establishment of various plants or operations and need a particular rate in working out their cost structure to see if the operation is feasible?

A. Well. of course, we would naturally examine the circumstances, Mr. Mauro, in relation to the particular industry, and what the effects might be on the existing freight rate structure.

Q. And I think the matter was discussed by Mr. Jefferson, who I understand was a former officer of the Canadian Pacific Railways?

A. A very distinguished officer.



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Q. He certainly was, Mr. Roberts. I might refer you to the examination of Mr. Jefferson as it appears in Volume 80 of the evidence before the Royal Commission on Transportation on February 21, 1950. This is a discussion with my learned friend Mr. Frawley, who is discussing the pulp and paper manufactures in western Canada, the possibility of setting up those plants. I will just refer you to it on page 15926:

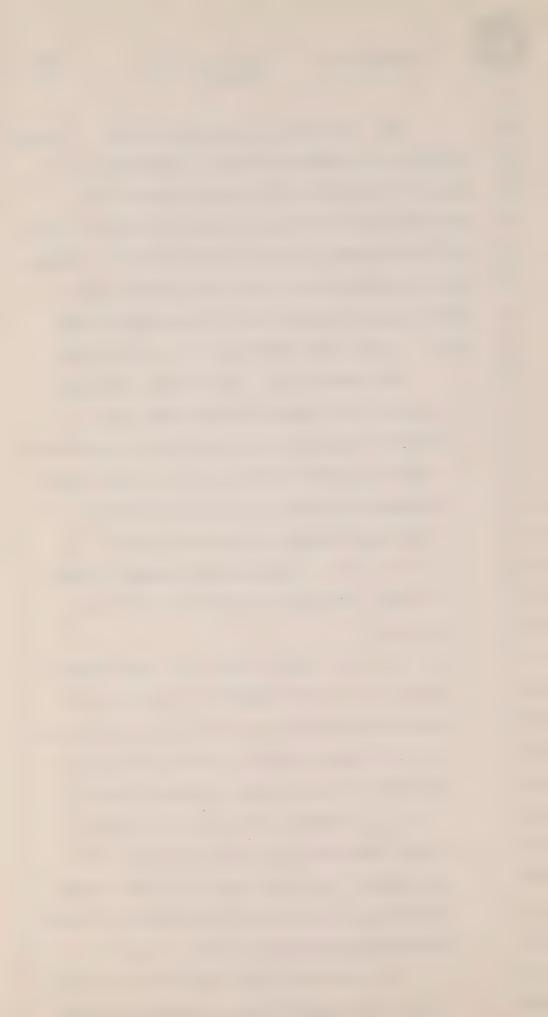
> "Mr. Frawley: Q. Tell me, Mr. Jefferson, have you any examples of such rates within western Canada, that is, rates given to particular shipping points to the exclusion of other similar shipping points for the express purpose of assisting industry at the former point?

"A. No. If you have any examples I would be glad to discuss them with you, but I have not any.

"Q. No, I have not any, but I was wondering whether you had any examples of rates given to particular shipping points for the express purpose of assisting an industry at that point to the exclusion of other similar shipping points?

"A. No doubt we have rates in effect to assist industry, but I cannot pick any out at the moment. You would have to be very careful in naming a rate to assist an industry if another industry was producing the same product.

"Q. That really means then that rate making to meet the special needs of the shippers would



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have to	have in mind all shippers	of	a par-
ticular	commodity as a whole?	Is	that not
80?			

"A. Would you ask that again?

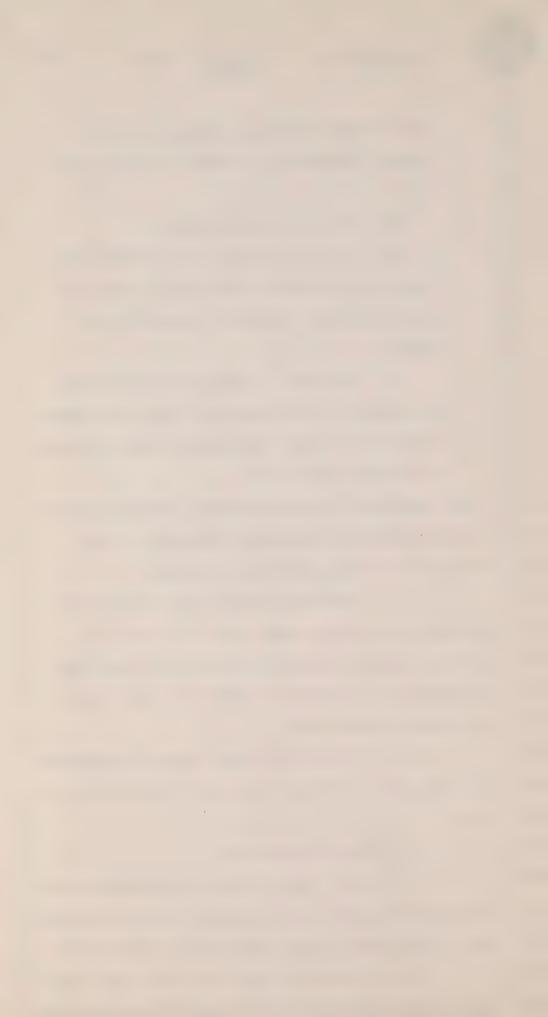
"Q. I say rate making, to meet the special needs of the shippers, would have to refer to all shippers of a particular commodity as a whole?

"A. Yes, sir. I say that we would treat all shippers alike unless there were some special competitive reasons requiring different treatment of one than the other."

I just say that it points up in fact the importance of transportation in the economic development in the interest of having industries in Canada?

A. There is no doubt about it that transportation is important and as you will notice Mr. Jefferson said in evaluating the particular problems he examined the situation in respect of other people in similar circumstances.

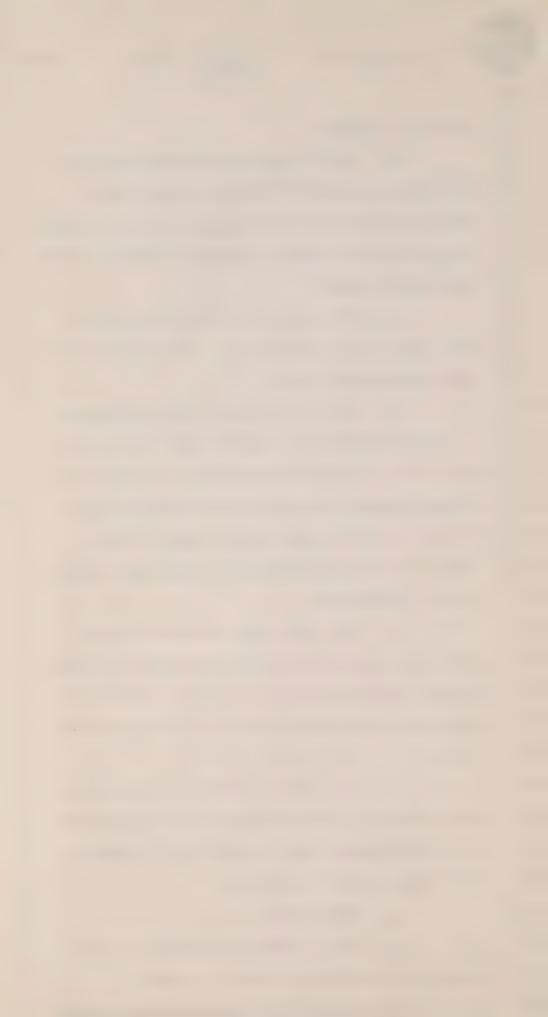
- Q. And when the sulphur people in Saskatchewan were going to set up their plant, did they talk to you?
 - A. They certainly did.
- Q. And I imagine that the decisions reached with the C.P.R. were important factors in the establishment of that plant and the operation in Saskatchewan?
- A. They had to find out as best they could what their transportation costs would be in getting the



commodity to market.

- Q. So you are not seriously stating in this submission that the decision of the Board of Transport Commissioners as to rates or of the railways as to rates do not affect the economic fibre of every community in Canada?
- A. Well, when you say "decision", you cannot say it in a general way. You have to look at these things specifically.
- Q. Well, I will say it very generally on the overall picture, Mr. Roberts, that the decision does in fact, because the decisions of the Board of Transport Commissioners and of the railways on the freight rate matters have such an impact on the economic life of our economy, that this Royal Commission was established?
- A. Well, Mr. Mauro, there are factors other than transportation that are taken into account when any industry is set up. I mean, this is one factor and one cannot say that it is not an important factor.
- Q. Well, in the context of this Commission's interest in transportation the transportation role in the economic life of Canada is, I suggest, a matter that we want to consider?
 - A. That is right.
- Q. Now, at page 6, as a matter of fact, starting at the bottom of page 5, you say:

"The distance over which goods are carried



has a direct bearing on the rate which

can and must be charged for the service.

The length of the haul obviously has a

direct effect on the variable cost of the

service performed. It also has an effect

on the ability of most goods to pay trans-

portation charges."

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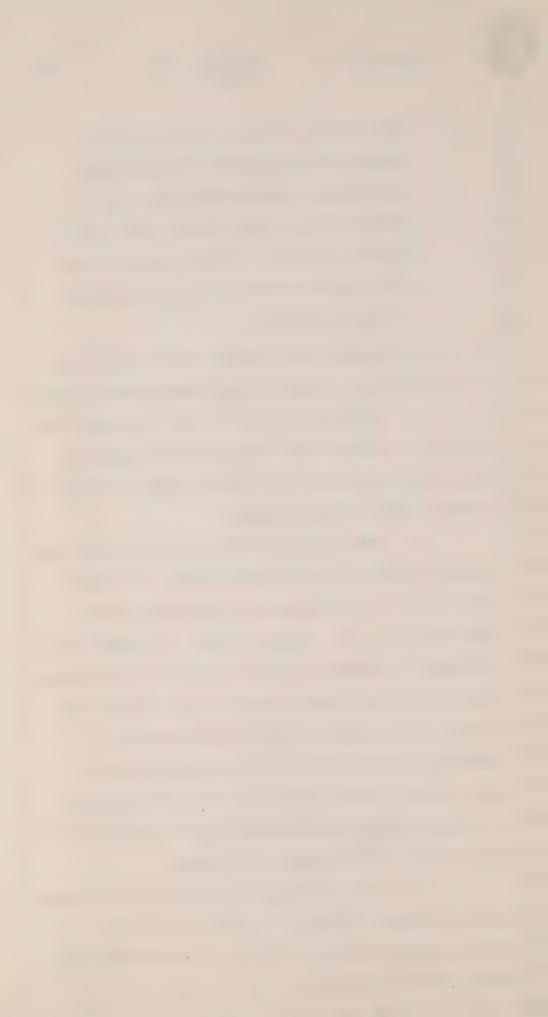
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Now, can you explain to me how the length of haul can affect the ability of goods to pay transportation charges? A. Well, the length of haul, of course, has an effect on the price you charge for the movement of the product, and, therefore, it could limit the range of movement of any particular product.

Q. Well, the value of the commodity does not change by moving it a given set of miles. In other words. -- I think perhaps we may have been over this once before but I will repeat it here -- I suggest that the price of a washing machine in Ontario at the factory has a set value and that the value to the consumer in Winnipeg, the purchaser of that washing machine in Winnipeg is not the price of the washing machine de facto but the price he could buy it at in Winnipeg and the value of the washing machine does not change because of the distance from Toronto to Winnipeg?

A. Well, it changes in respect of the service that is necessary to get it to market because the washing machine is not of any value in Toronto when they have a market in Winnipeg.

Q. No, it certainly is not. How does the



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washing machine then go if the party wishes to go
to Toronto and pick up the washing machine, has it
any different value when he gets it back to Winnipeg?
The washing machine has a set value, has it not?

A. Yes.

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- Q. And the only increase will be the increase that you people set on moving that commodity?
- A. Oh, no, there is the cost of the person who is going to sell the washing machine in Winnipeg, that will be in there and that is not transportation.
- Q. Yes, has the value of thewashing machine changed?
- A. No, the value of the washing machine basically has not changed.
- Q. So that length of haul cannot affect the ability of a certain product to pay transportation costs?
- A. I say yes, because the distance, the service that has been performed, has an effect on the price that is paid for that service.
- Q. Mr. Cooper yesterday asked you about domestic market competition and you stated, if I understood correctly, that you did not meet the domestic market competition, internal market competition?
- A. This is as between two Canadian manufacturers?
- Q. Yes. Does that apply to a product competition situation where you have suppliers of red cedar shingles in British Columbia competing with



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I wonder if you could tell us whether or not you republish the coal tariff after every flat increase?

A. No, we do not, but, of course, here I

asphalt shingles into the Ontario market, both produced in Canada?

- A. No, sir, we have a normal basis of rates applicable to each different type of commodity.
- Q. I notice on page 7 the statement in the last paragraph, concerning general principles involving increases you make the statement:

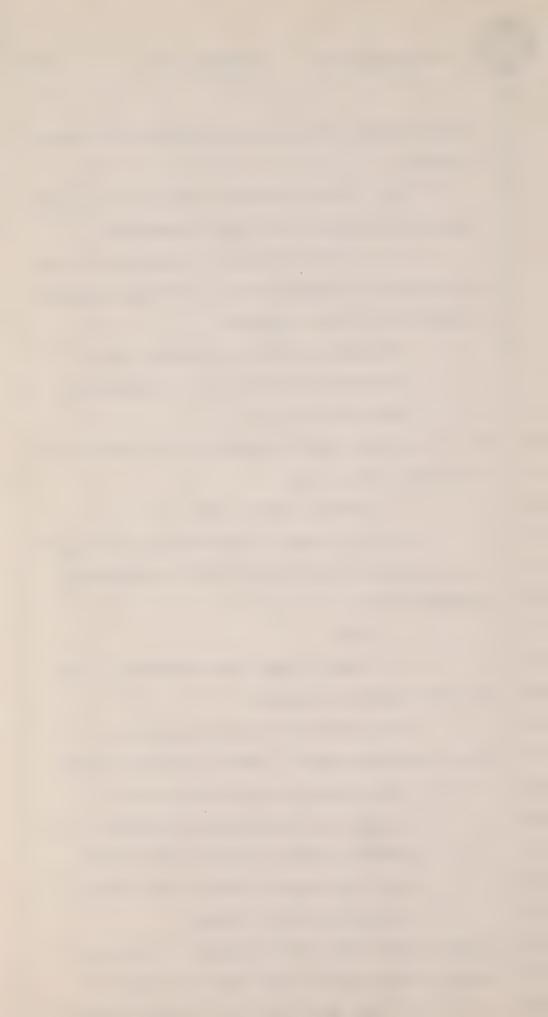
"It must not attempt to maintain rate differences unrelated to the competitive rate relationship."

That is, in fact, what is presently done on coal, is it not, in the case of coal?

- A. That is correct, sir.
- Q. As I recall it yesterday you did suggest, to be consistent, coal should be put on a horizontal percentage basis?
 - A. Yes.
- Q. Then, on page 30, on the matter of coal, the second complete paragraph:

"Even assuming no other difficulties ---"
You are discussing here, I believe, the flat increase:

"Even assuming no other difficulties
the cost of maintaining the statistics
necessary and in republishing all tariffs
after every general revenue case destroys
the validity of this method."



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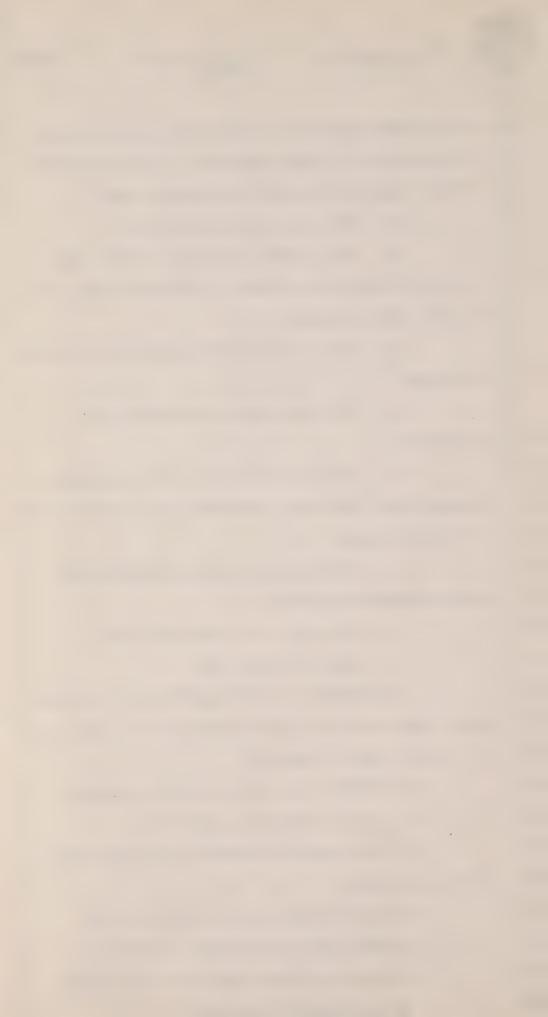
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- Q. Well, coal has a graduated ---
- A. Well, it had, Mr. Mauro, in two cases but all of them have just been -- other than this, it has been flat increases.
- Q. And were the tariffs republished in those two cases?
- A. They were eventually published, not immediately.
- Q. Now, has anyone before this Commission suggested that the future increases be made in flat cents per hundred pounds?
- A. I believe it has been mentioned by the Brandon Chamber of Commerce.
 - Q. Do you have the transcript there?
 - A. Volume 31, page 47.98.
- MR. SINCLAIR: I am suggesting now they have opened this possibly Mr. Roberts might want to put them all on with respect to page 14.

MR. MAURO: Q. Put on whatever you want.

- A. It is volume 31, page 4883.
- Q. At page 18, Mr. Roberts, the last paragraph on the page:

"It will be seen from the foregoing comparisons that the percentage of increase paid by the various regions on the average was approximately the same."



ship has remained the same.

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the increase in percent is approximately the same.

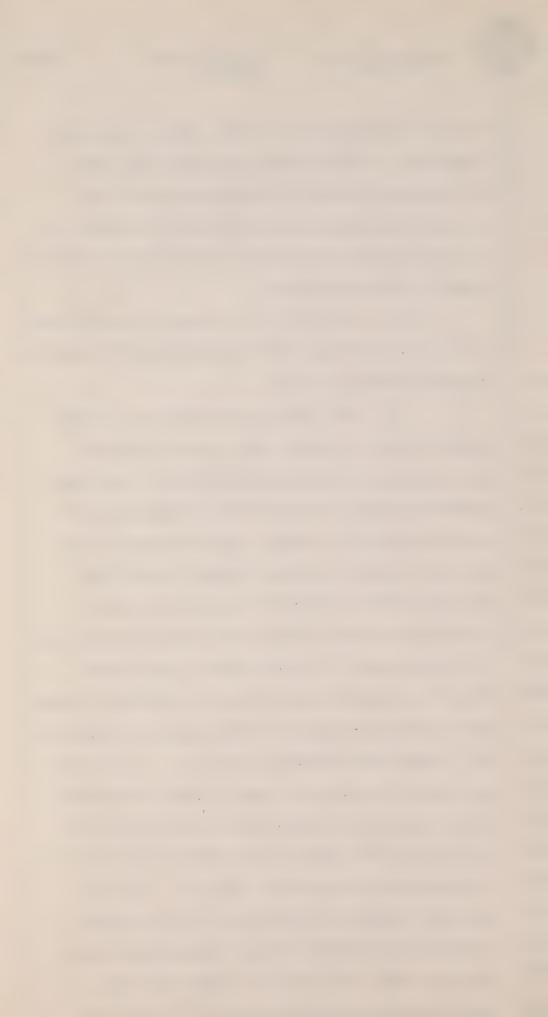
What parties opposing your position have contended is that this method has distorted the situation in absolute terms of dollars and cents.

A. There has been a change in the difference in the rates certainly, but proportionately the relation-

Now, as I understand most of the evidence before this

Commission, no one has seriously denied that using

Q. Well, that is certainly true, but the inequity that the parties, the long haul provinces particularly, have complained about before this Royal Commission, before the Turgeon Royal Commission and before the Board of Transport Commissioners has been the fact that the percentage increase was not the same but that the results of continual horizontal percentage increase distorted the freight rate structure in absolute terms. You will recall that Premier Roblin in Winnipeg placed before the Commission certain data appearing in Volume 29 at the hearing of February 8th, at page 4212, where he pointed out - and I will only mention one or two of them -- that for instance in the case of auto parts the east west rate in 1941 was \$40.79, and by 1958 it had risen to \$87.49, or a total increase in dollars of \$46.70. The easteast rate had gone up from \$10.44 in 1949 to \$11.44 in 1958, or an increase of \$1. Agricultural implements had risen from the east to west trade from \$30.80 in 1949 to \$62.65 in 1958, or an increase of



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\$32.57. The east to east rate had gone up from \$9.33 to \$16.43 for a total of \$7.10. As far as the province of Manitoba is concerned you have no doubt that we are not complaining about the incidence of the percentage increases, we are not concerned with whether or not the percentage increase is the same in various regions of Canada, but we are strongly contending what we allege to be the inequity resulting from the percentage increase and what it does in absolute terms.

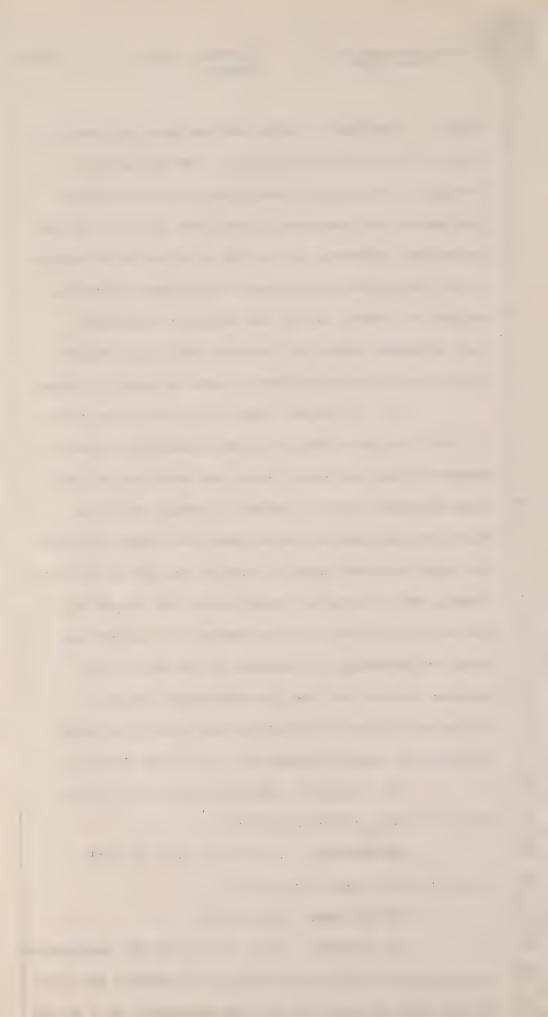
A. Of course, these rates which you quote, in the first place they could be competitive rates in eastern Canada but also I think you must look at this that from this study -- rather, I should say first that from the reaction to increase you would think all the money obtained from an increase was got in western Canada, and I think this study shows that is not so. The revenue derived from the increase as applied in terms of percentage in relation to the whole, the revenue derived from the increase within Ontario-Quebec was $36\frac{1}{2}$ per cent and the west was 36 per cent. Actually the money involved was just about the same.

THE CHAIRMAN: Mr. Roberts, to what extent does the taper prevent distortion?

THE WITNESS: I am sorry, sir, to what extent does the taper prevent ---

THE CHAIRMAN: Distortion?

THE WITNESS: Well, it retains the application of the general percentage increase, it retains the taper in the relative place in the rate structure, so I do not



think there is any distortion. The taper is based to a scale and the application of the increase maintains that relationship, in my estimation, in the scale.

THE CHAIRMAN: You maintain it is corrective?

THE WITNESS: The taper?

THE CHAIRMAN: Yes, on the long haul.

THE WITNESS: On the long haul it is a method of reflecting internal costs at origin and destination in the rate structure on long hauls.

MR. MAURO: Q. You have mentioned Exhibit 162 as one of the illustrations of the fact that there is not any real distortion or inequity vis-a-vis eastern and western Canada?

A. I would say that is right, sir.



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Q. We perused exhibit No. 162 and I am going to give you some of our conclusions on the basis of that exhibit, and I suspect you may want to look them over and I would like your opinion.

We take out of that exhibit that traffic terminating in western region has borne 52.8% of the additional revenue, and that is made up of line 33: Maritimes to west, .5; line 36, Ontario-Quebec to west, 16.3%; line 37, west within west, 36%; total 52.8%. At the same time that the traffic terminating in western region was bearing 52.8% of the additional revenue requirements, traffic terminating in western region represented only 25% of the total tonnage within Canada, and this includes grain moving at statutory rates which is unloaded at Vancouver and Churchill. The source of those statistics, which you may want to check, is exhibit 154, page 2. That is the first comment on exhibit 162.

Now, you have mentioned ---

MR. SINCLAIR: I presume you want Mr.

Roberts to look at these over the luncheon adjournment?

MR. MAURO: Oh yes, I will put them all before him because they are comments on exhibit 162.

The traffic at normal rates -- since Q. . you mentioned that those figures of Premier Roblin may have been dealing with matters that were competitive down east, and trying to compare them with unlike movements in western Canada -- traffic at normal rates within the Maritimes: the average rate, cents per 100



The point of interest from our stand in this matter, Mr. Roberts, is that the Maritimes to West

pounds, 14ϕ ; the percentage increase, 10.7%, which is line 1 in the second last column, or, an average increase of cents per 100 pounds within the Maritimes of 1.6ϕ .

Maritimes to Ontario and Quebec, average rate 45¢ per 100 pounds; the percentage increase as per your exhibit is 15.3%; average increase in cents per 100 pounds, 6.9.

Maritimes to West, average rate, \$3.00 per 100 pounds; increase 17%; average increase in cents, 51¢ per 100 pounds.

Within Ontario and Quebec, average weight 17; percentage increase, $14\frac{1}{2}$; average increase in cents per 100 pounds, 2.5.

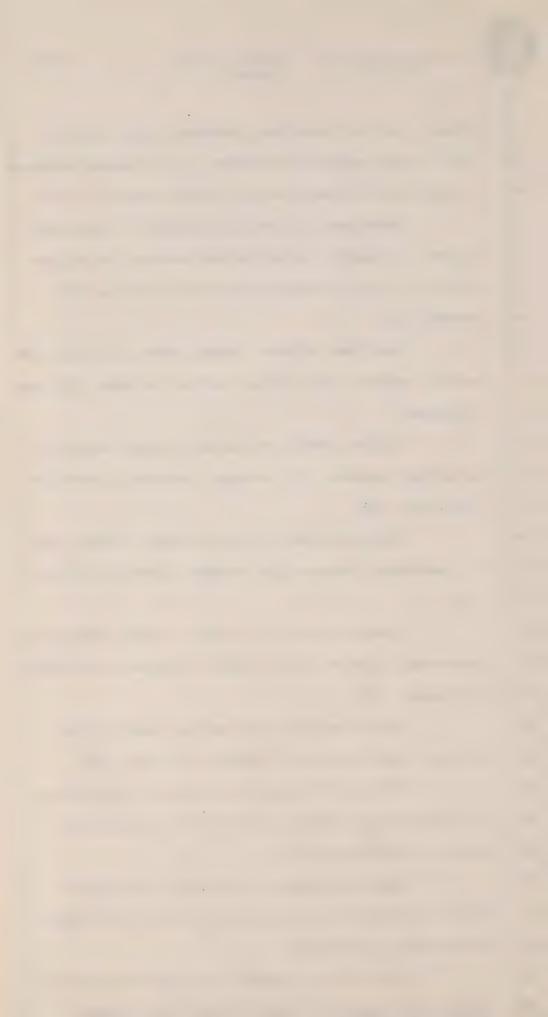
Ontario-Quebec to the Maritimes, average rate 84; percentage increase 17%; average increase in cents, 14.3.

Ontario-Quebec to the West, average rate \$2.61 percentage increase, 16.4; average increase in cents per 100 pounds, 42.8.

Within the West, the average rate, 28; the increase 15%; the average increase in cents, 4.2.

The West to Ontario and Quebec, average rate, 163; percentage increase, 16.8%; average increase in cents per 100 pounds, 27.4.

These are based on the waybill analysis of 1959, and in case you missed some of those I will have them written out for you.



cents 27.2.

Ontario-Quebec to the West, average rate \$3.88; percentage increase 7%; average increase in

increase is 51ϕ per 100 pounds, while within the Maritimes it is 1.6ϕ , and Maritimes to Ontario and Quebec 7ϕ ; and, similarly, from Ontario-Quebec our average increase is 42.8ϕ , and the next one was 14ϕ and the lowest 2.5. That is our normal traffic.

So that we have the complete picture we also have prepared similar averages from your statistics in exhibit 162 on competitive rates which is that second group in exhibit 162, "traffic at competitive rates", and we find that within the Maritimes the average rate is 17ϕ per 100 pounds; the percentage increase was $5\frac{1}{2}\%$; the average increase in cents, $.9\phi$ per 100 pounds.

Maritimes to Quebec and Ontario, average rate, 61; percentage increase 7.9; average increase in cents per 100 pounds; 4.8.

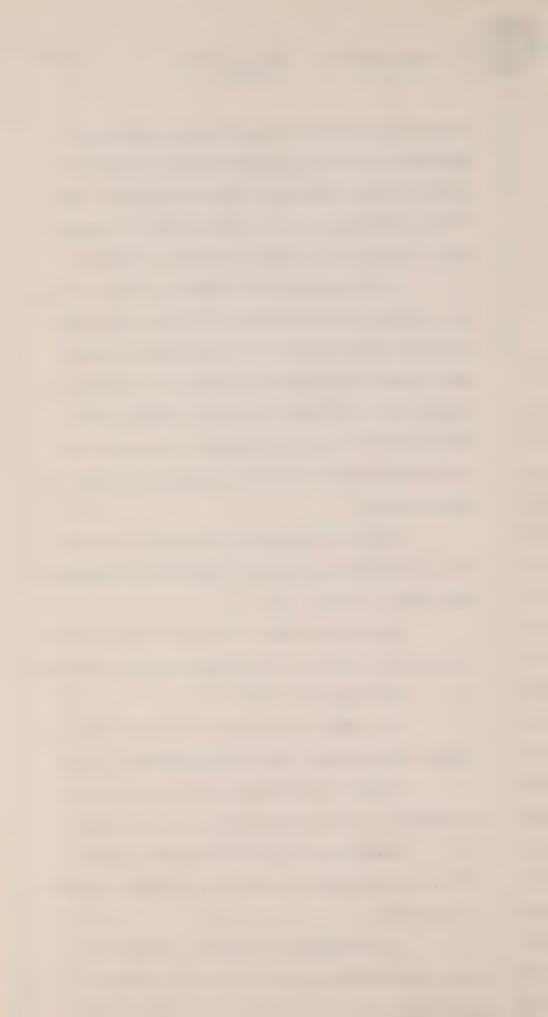
Maritimes to West, we could find no record in the waybill analysis, and we can make no comparison.

MR. SINCLAIR: 1959?

MR. MAURO: Yes, 1959; nor in 1958 could we find any competitive traffic from Maritimes to West.

Within Ontario-Quebec, average rate is 25; percentage increase, 12.6; average increase 3.2¢.

Ontario-Quebec to the Maritimes, average rate \$1.08; percentage increase 4.4; average increase in cents 4.8.



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Within the West, average rate 43; percentage increase in cents 5.3.

west to Quebec and Ontario, average rate \$1.97; percentage increase .4; average increase in cents, .8.

West to Maritimes, average rate \$2.38; the increase, .6; the average increase, 1.4ϕ .

THE CHAIRMAN: You can hand these to Mr. Roberts and he can comment on them later.

COMMISSIONER GOBEIL: What was the average increase in the West?

MR. MAURO: On competitive?

COMMISSIONER GOBEIL: Yes.

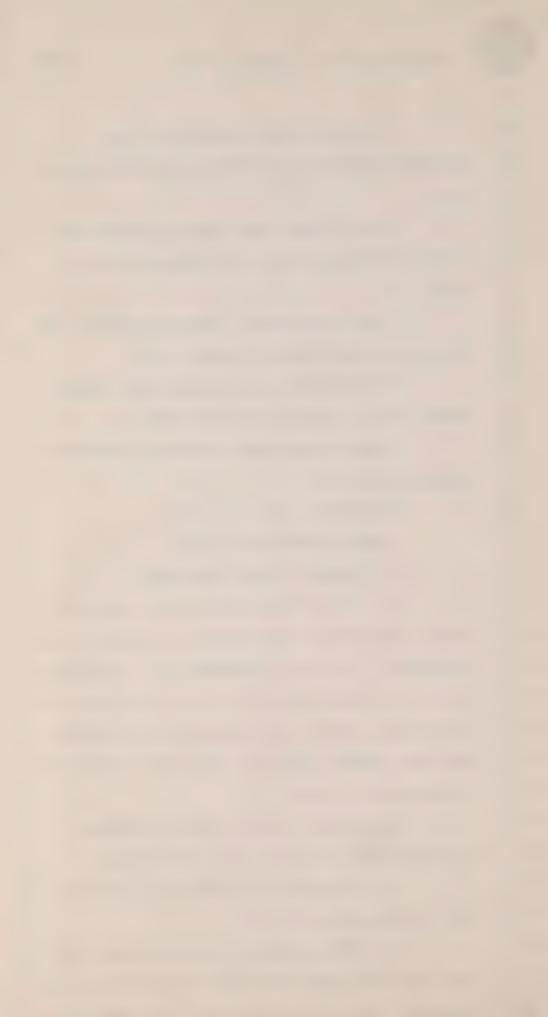
MR. MAURO: 5.3 per 100 pounds.

Q. We will discuss that after lunch, Mr. Roberts, and perhaps I can conclude one aspect of this discussion. The C.P.R. has opposed for a considerable period of time any variation in the present method of apportioning freight rate increases by a horizontal percentage method? The C.P.R. has opposed any change in the present method?

A. We feel the horizontal percentage increase method is the most equitable method.

Q. But there are a great many people who feel otherwise, are they Not?

A. Well, certainly, there are people all over the country that don't like the way other people do things. They do not like taxes, for example, but



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was discussed?

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most equitable for all concerned.

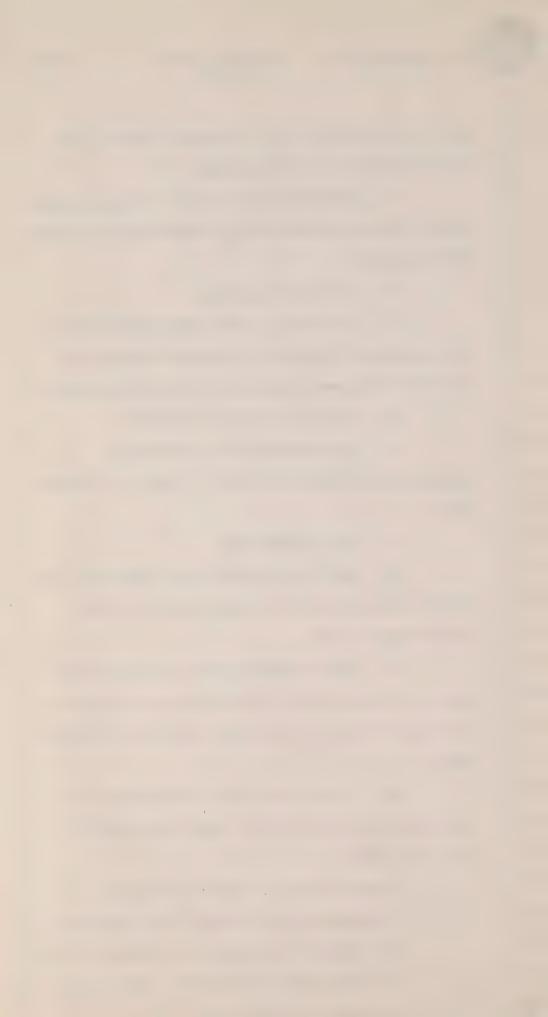
Q. Did the C.P.R. to your knowledge appear before the Duncan Commission in 1926 where this method

this is the method, in our estimation, that is the

- A. Not to my knowledge.
- Q. Did you know the Duncan Commission in 1926 considered horizontal percentage increases and found that they were inequitable? Did you know that?
 - A. No sir, I did not know that.
- Q. Did you know that the Turgeon

 Commission considered the matter in 1950 -- you knew
 that?
 - A. Yes, I knew that.
- Q. And you also knew what conclusions the Turgeon Commission came to after giving very full consideration to it?
- A. That is correct, and I know also the results of endeavouring to satisfy these conclusions by the application of percentage increases with hold-downs.
- A. Do you agree with the conclusion of the Turgeon Commission report appearing on page 61 where they state:

"Applications for uniform horizontal increases to all freight tolls assume that all freight can, under all conditions, bear an equal burden of increase. This is an incorrect assumption."



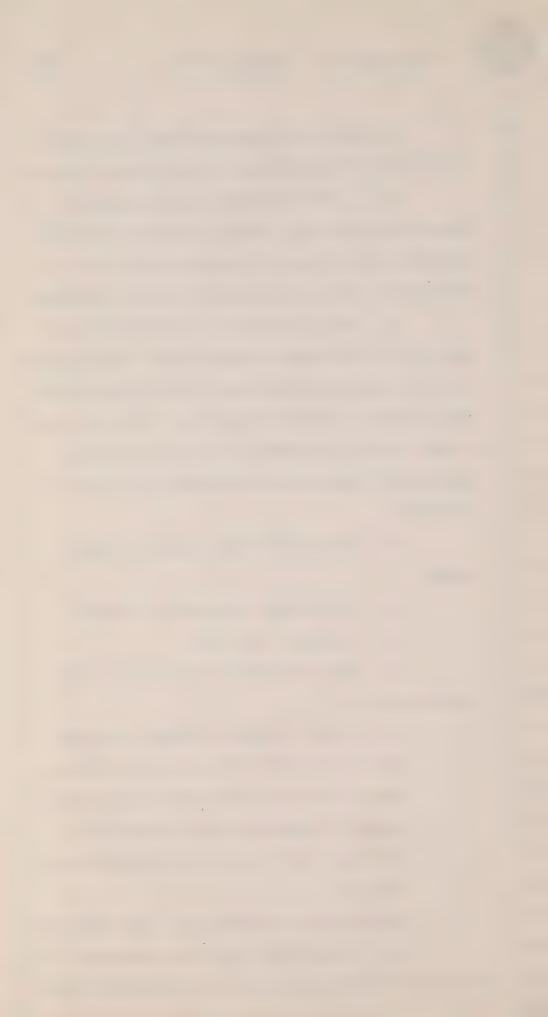
Do you as an experienced traffic man agree or disagree with the findings of the Turgeon Commission?

- A. I feel that the general percentage increase applied on all traffic, and where necessary adjustments made later, is the most equitable way of obtaining the money required under a general increase.
- Q. But do you agree or disagree with the conclusion of the Turgeon Commission that "Applications for uniform horizontal increases to all freight tolls assume that all freight can, under all conditions, bear an equal burden of increase. This is an incorrect assumption."? Do you agree or disagree with that conclusion?
- A. I agree that they can bear an equal burden.
 - Q. You disagree with that conclusion?
 - A. I disagree with this.
- Q. And do you agree or disagree with the conclusion No. 2:

"Horizontal increases, although preserving rate relationships percentage-wise, disturb them in cents per 100 pounds (or other units) insofar as shipments and consignees are concerned, and this is of much importance to them."?

Do you agree or disagree with that conclusion?

- A. I agree that there is a disturbance in the actual difference in cents between different rates.
 - Q. Do you agree or disagree that this is of



much importance to shippers ar	nd consignees
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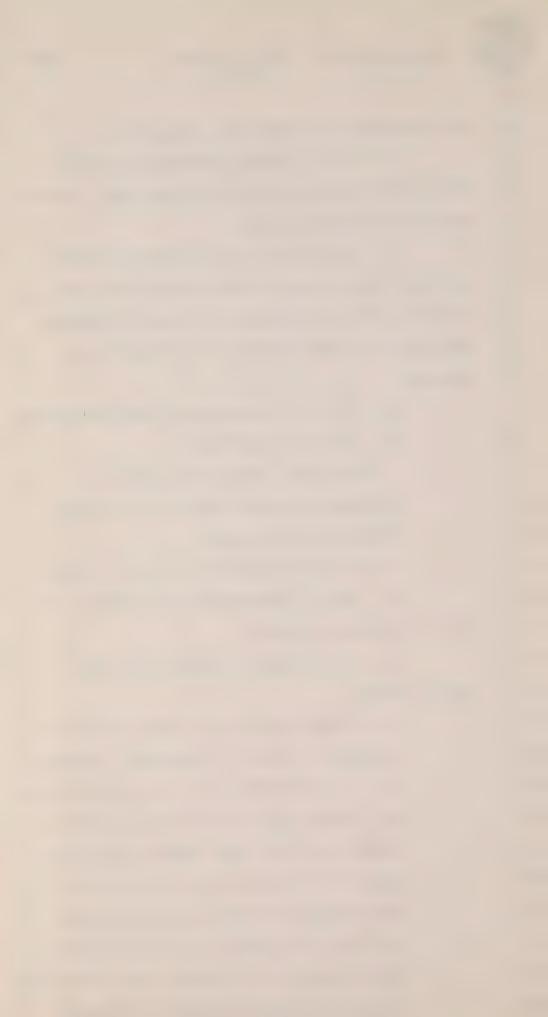
- A. Well, in their estimation it may be, but in our estimation we at least retain their relative position with other people.
- Q. Oh yes, but I would like your opinion vis-a-vis the conclusion of the Turgeon Commission: do you agree with the finding of the Turgeon Commission that this is of much importance to consignees and shippers?
 - A. Well, any increase is of much importance.
 - Q. And conclusion No. 3:

"Horizontal increases aggrevate the disadvantage already suffered by long haul shippers and consignees"

Do you agree or disagree with that finding?

- A. Well, I disagree with that because the traffic is moving long hauls.
- Q. Do you agree or disagree with their fourth finding:

"The remedy does not lie in the prohibition, statutory or other, of horizontal increases, but is in the hands of the railways themselves. The railways should make studies of traffic conditions in all their bearings and should present to the Board, (in accordance with the foregoing precedents) proposals showing not only their maximum percentage increase requirement, but also, among other particulars, varying percentage increases on different



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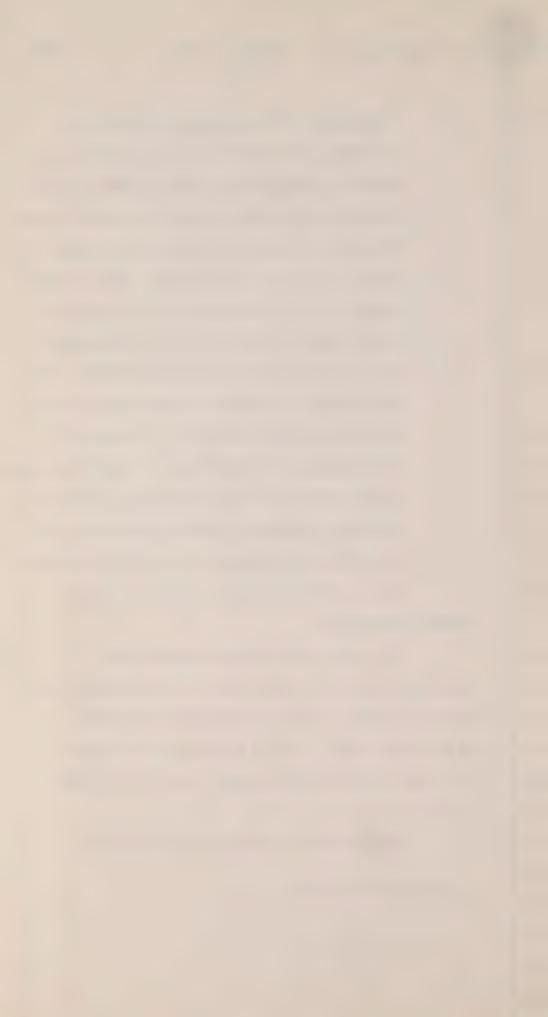
commodities, flat, instead of percentage increases when these are more suitable, and maxima in appropriate cases in cents per 100 pounds or other unit. Special attention should be given to long haul traffic and to rates on basic (or primary) commodities. The railways should be in a position to do this especially in the light of new statistical procedures. But if the railways do not approach the task in this way, it ought to be the duty of the Board to see that they do so. Presumably an examination of the 'Waybill Study' undertaken by the Board will help to provide it with the requisite 'reliable traffic statistics' which it stated were lacking in the 30% application." Do you agree with that conclusion of the

Turgeon Commission?

A. Well, the railways accepted that conclusion in the next case, while not advocating that method, in order to carry out the direction that was contained here — or, in endeavouring to carry it out — and they filed the increase subject to certain hold-downs.

THE CHAIRMAN: Offering an alternative.

--- Luncheon adjournment ---



--- On resuming at 2 p.m.

THE CHAIRMAN: Order, please. Mr. Mauro?

MR. MAURO: Q. Mr. Roberts, did you want to

make any particular comments or corrections on the

figures that I put in the record?

A. Well, your question to me was to comment on the --

Q. No, I drew attention to the various average increases in cents per 100 pounds on those commodities, and I do not imagine there is too much comment necessary if the figures are essentially correct. But, if you would like to make some comments ---

A. They are essentially correct here, as far as they go. I think they should be taken a little further, Mr. Mauro, and they should be examined in relation to the work done.

Now, if you take the revenue accruing for movements within Western Canada, and also on traffic originating in Ontario and Quebec destined to the West, add that together, along with the ton-miles on both of those movements, and then examine the same figures in relation to revenue — that is to say, within Ontario and Quebec, and, from the West, Ontario and Quebec in relation to the ton-miles of service performed, you will find, Mr. Mauro, that the service performed; that is to say, the number of ton-miles of service performed in connection with both of those movements, that the revenue received for that service was the same.



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In other words, the ratio is that insofar as traffic within the West and from Ontario and Quebec to the West is concerned, the ratio of revenue to ton-miles of service performed is \$1.00 for every 51 ton-miles of service. And if you take the same figures within Ontario and Quebec, plus the West to Ontario and Quebec, the ratio of revenue, \$1.00 of revenue, to service performed is 50 ton-miles. So that, comparitively speaking, for service performed in each segments of traffic, we received — the railways received the same amount of revenue.

THE CHAIRMAN: It all turns on service performed?

THE WITNESS: That is right, sir.

THE CHAIRMAN: Accordingly.

THE WITNESS: That is right.

MR. MAURO: Q. We were discussing it in the context of burden; actual dollars paid by various regions of the country. You gave us your approach to it. The figures are otherwise essentially correct?

A. I accept your figures here, and my figures are in the record now, which represents the work we performed.

THE CHAIRMAN: It is a matter for argument.

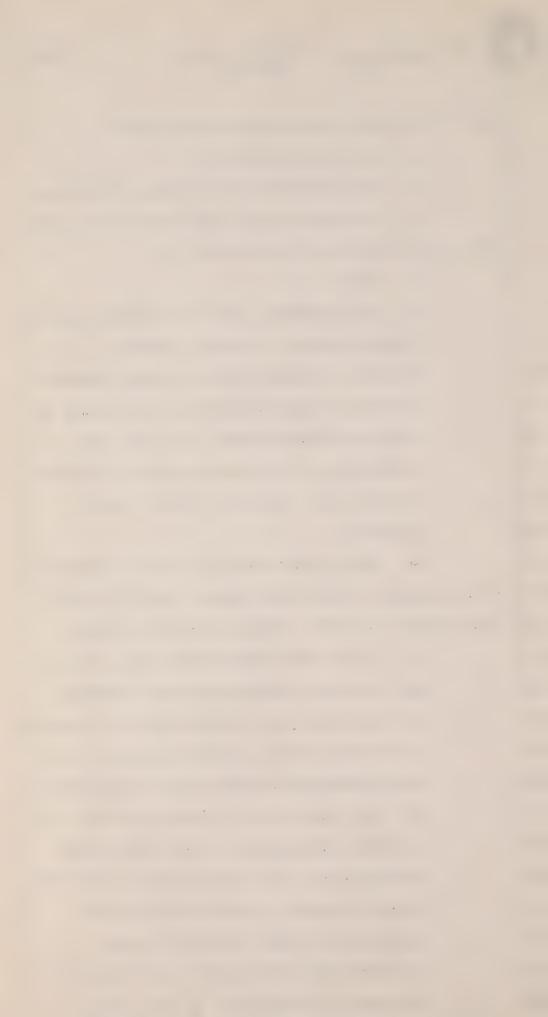
MR. MAURO: Q. Just so that we clear up this morning's discussion, in reply to a question of mine of who recommended or proposed a flat cents per 100 pounds increase, you advised me it was the Brandon Chamber of Commerce, and I was wondering, Mr. Roberts, if you would



put on the record your quotation on the matter?

- A. In respect of the
- Q. The cents per 100 pound type of increase.
- A. The reference for that was volume 31, page 4883. This is what you had reference to?
 - Q. Yes?
 - A. "MR. BERGMAN: The city of Brandon and the Brandon Chamber of Commerce therefore respectfully submit that any further increase that may be imposed should be a flat amount in cents per hundred pounds, or failing this, a combination of a relatively smaller percentage increase plus a cents per hundred pounds increase."
- Q. Just in that context, I think in fairness to Mr. Bergman, I should refer you to page 4918 in the cross-examination by Mr. Sinclair where this appears:
 - "Q. If you were shifting short haul, if you were an Estavan shipper shipping to Brandon and competing with a Drumheller shipper shipping to Brandon, then the situation would be one in which percentage increases would be the method you would expect them to support, wouldn't it?

 A. Well, the approach we are trying to make because we are new in this business is the fact we want to suggest something that cannot be interpreted as being greedy for us, but something that would improve the situation to the benefit of everybody. We feel there is



going to be some disadvantage, and I can only speak of a principle.

- Q. There is going to be some disadvantage, and with the information you have you feel that the 50-50 suggestion of the Premier of Manitoba seems to assist Brandon?
- A. I am fairly convinced that is the most acceptable solution available yet."





A M B & C

3 night.

THE CHAIRMAN: That was about 11 o'clock at

MR. MAURO: Yes. He mentioned a little earlier,

"I don't know whether it is too late for me, but I just didn't get that."

I think it was a little late for all of us,

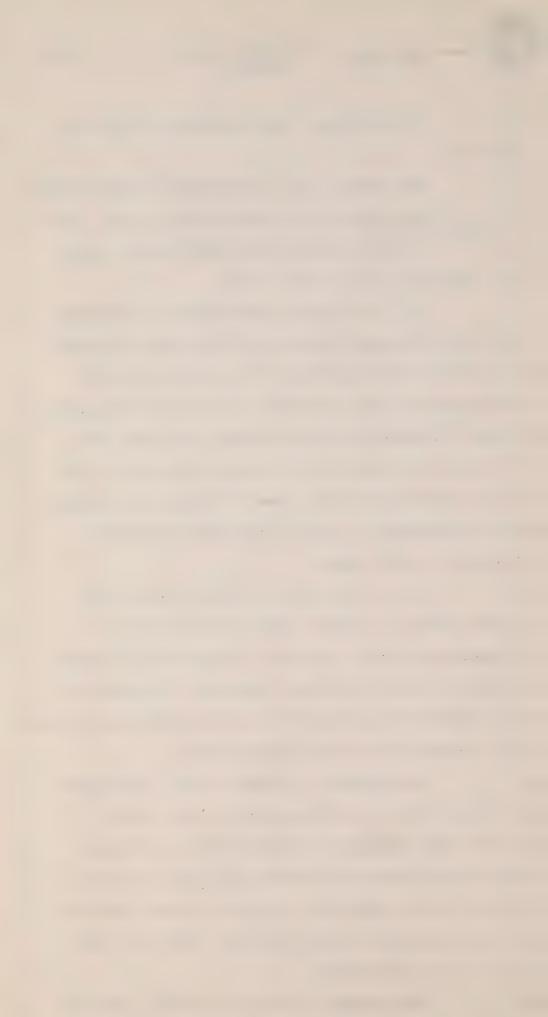
Mr. Chairman. It was about 11:30.

Q. Mr. Roberts, before luncheon adjournment, we were discussing this matter of horizontal percentage increases, and the position of the Canadian Pacific Railway that it was by far the most equitable and efficient manner of putting on general freight increases, and I touched on the report of the Duncan Commission in 1926, who reported against this type of freight rate increase, and subsequently in 1949-51 the Turgeon Commission's position on this matter.

And we are, now, in 1959-60 discussing the same problem. I wonder in this context of who is supporting and who is opposed to this method of freight increases during this Royal Commission, did anyone in the Maritime region support horizontal percentage increases as a method of increasing freight rates?

MR. SINCLAIR: I object to this, Mr. Chairman. I do not think he should analyze the whole record. I would think the people in the Maritimes in favour of horizontal percentage increases will have relied upon myself and Mr. McDonald. Or, if Mr. McDonald does not want to associate himself with me on that, they could have relied upon myself.

THE CHAIRMAN: I think the records speaks for



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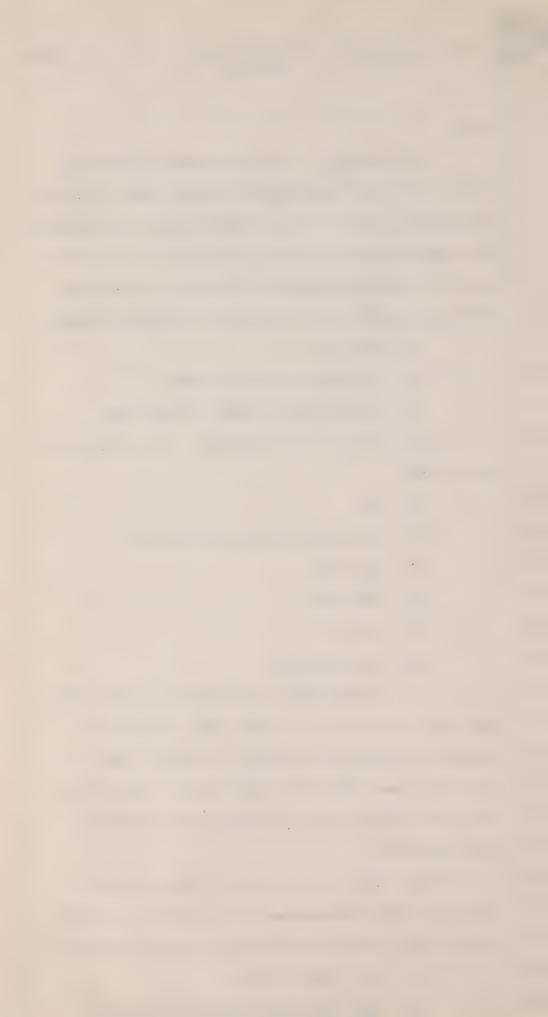
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itself.

MR. MAURO Q. It is important in this way. We have the C.P.R. adopting the position that it is the best method. Do you from your own personal knowledge or from what you have been told, Mr. Roberts, know of anyone in the Maritime Provinces, shippers or consignees who have supported the horizontal percentage increases?

- A. No, sir.
- In the Province of Quebec? 0.0
- A. Quebec has not made a submission.
- 0.2 There was a submission. But, you do not know of any?
 - A. No.
 - Q. How about Province of Ontario?
 - A. No, sir.
 - Q. Manitoba?
 - A. No. sir.
 - Saskatchewan? 0.0
- A. Saskatchewan, as I recall it, sir, said that while increases, as we both agree, because of changing conditions are necessary, they felt that so far as they were concerned they could not think of any other more equitable way of obtaining the additional money necessary.
- Q. Your understanding of Saskatchewan's position is that Saskatchewan is supporting the present method because they do not have any better alternative?
 - A. Yes, that is right.
 - How about the Province of Alberta? 0.0



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No, sir.

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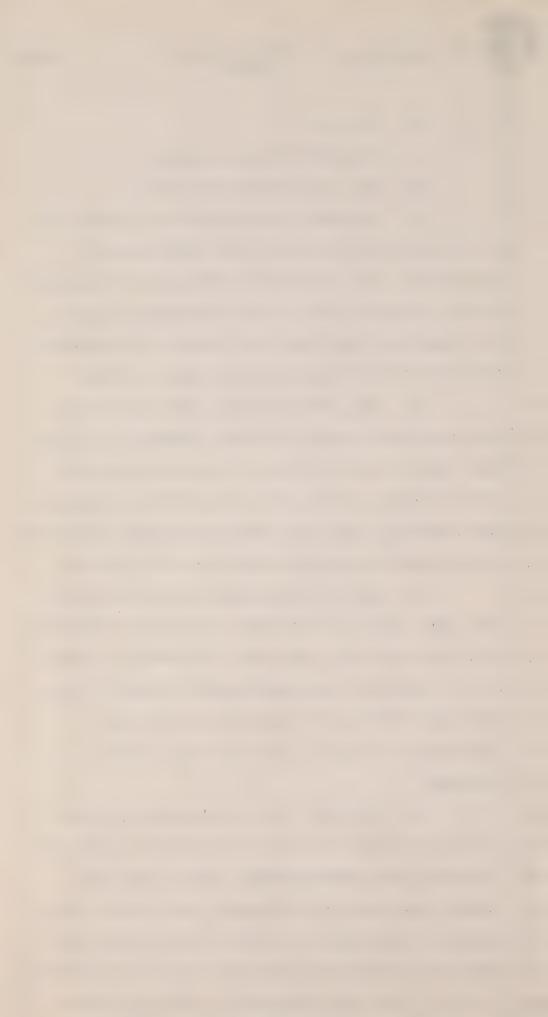
How about British Columbia? Q.

No, sir, not to my knowledge.

We might have some opinions on that, and Q. we will let Mr. Carter discuss that with you as to Saskatchewan. But, leaving out Saskatchewan, the Canadian Pacific Railways to date is the only party who has, to your knowledge, come before this Commission and supported the continuation of horizontal percentage increases?

- A. Well, sir, it is not quite right to say that we are the only ones that have supported it, in this way: that we have to the best of our ability analysed various methods, and from the result of that analysis, we have reached the conclusion that the horizontal percentage increase method is the most equitable way of doing it.
- Q. But in the grouping of references that I have made, the Duncan Commission, the Turgeon Commission, and, now, before this Commission, the Maritimes, Quebec, Ontario, Manitoba, Alberta and British Columbia -- in all those representations to this Commission and past Commissions, the C.P.R. is the only one, to your knowledge?

MR. SINCLAIR: Well, Mr. Chairman, of course, I think my friend would want to be fair and say that notwithstanding the representations that have gone down through these years by these people, the tribunal that is responsible, the Board of Transport Commissioners, have supported it after full opportunities and have implemented it. Now, I think that is maybe the best support that





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Canadian Pacific needs.

MR. MAURO: I do not want to restrict my learned friend either in re-examination or argument, but I do not think I am being unfair.

Q. Mr. Roberts, if there is anything you want to add or anything you want to talk over with your counsel, in case you want to add anything, I will give you the opportunity to do it.

We will go back to the evidence presented to this Commission. The C.P.R., to your knowledge, is the only one supporting the continuation?

A. In the representations made to this Commission, yes.

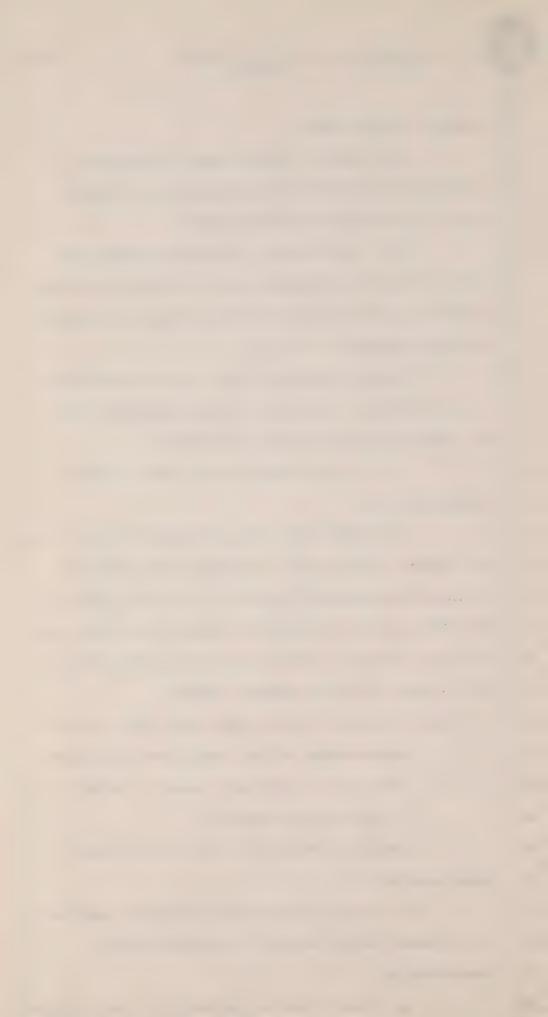
Q. Then that is why, at page 16 of your brief, Mr. Roberts, when you are discussing this matter of horizontal percentage increases, even in the light of what the Duncan Commission, the Turgeon Commission, and all the provinces of Canada have said on this matter, at the same time this statement appears:

"These statements are obviously made with a lack of understanding of the freight rate structure, because, as I have said already, distance is a factor in rate making".

The C.P.R. feels that there is this lack of understanding?

A. Well, our position is that you must take the distance factors and the work performed into consideration.

Q. Now, I want -- you would not for a minute



doubt that the Duncan Commission and the Turgeon

Commission ten years ago took into consideration all of

the facts that the able counsel of the Canadian Pacific

Railway and the excellent witnesses that the Canadian

Pacific Railway would call to place before it -- but,

just dealing with this Royal Commission, Mr. Roberts,

the Province of Manitoba's advisers have a lack of

dealings with the freight rate structure that the

understanding of the freight rate structure?

and with the Province of Manitoba, are you suggesting that

A. Well, they do not have the day to day

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railway officers have themselves.

Q. Do you seriously place before this

Commission, Mr. Roberts, the statement that the advisers

and counsellors of the Province of Manitoba in presenting
this evidence of horizontal increases lack understanding

of the freight rate structure?

A. They understand the freight rate structure but not the workings of the freight rate structure, sir, because they are not dealing with the problems involved in the freight rate structure from day to day.

Q. And what about the Maritime Transportation Commission? Do you think that they lack an understanding of the freight rate structure?

A. Well, they understand the freight rate structure insofar as the Maritimes are concerned, but we are looking at the freight rate structure as a whole, sir.

Q. Now, the balance of that statement is:





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MR. MAURO: Q. The recommendation of the 25 Province of Manitoba is before the witness and perhaps 26 Mr. Edsforth will deal with it. And, if that is the 27 case, Mr. Roberts, we know each other well enough that 28 is all you have to tell me. But, I am asking you in 29 your perusal of the Manitoba recommendations, is there 30

"...as I have said already, distance is a factor in rate making".

Do you for one moment think, or are you seriously telling this Commission that the advisers of the Province of Manitoba are unaware that distance is a factor in rate making?

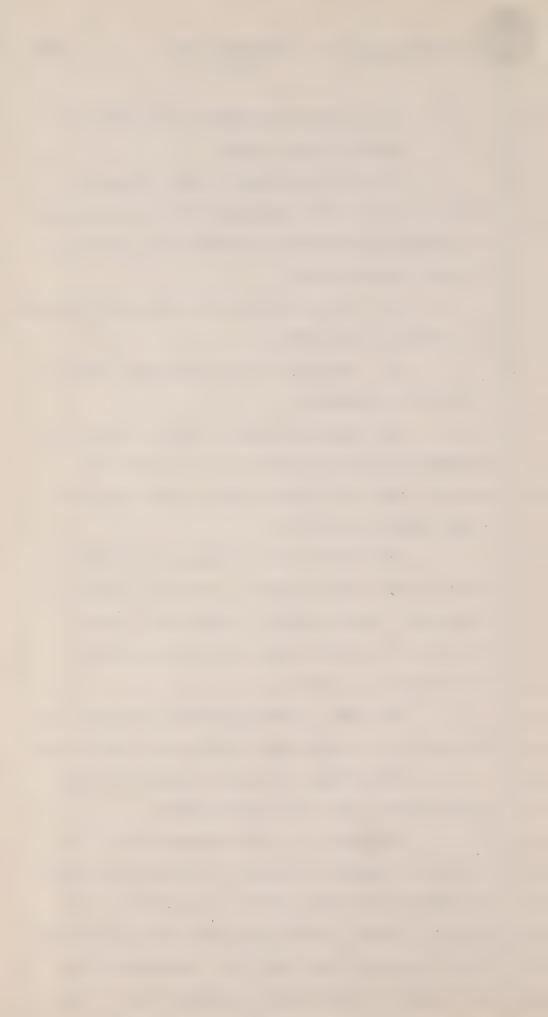
- They are aware of that fact, that distance is a factor in rate making.
- Q. Certainly, certainly they are aware of that fact, Mr. Roberts.

And, then, Mr. Roberts, could you point out anywhere in the recommendation of the Province of Manitoba where the distance factor in rate making is either denied or ignored?

MR. SINCLAIR: Well, again, Mr. Chairman, I would say that that is surely a matter for counsel to deal with. If he is going to analyse the record of Manitoba; if my friend wants a reference, I think I could turn one up for him.

MR. MAURO: Maybe my learned friend can, and that would be of assistance, but does the witness know?

MR. SINCLAIR: He is not dealing with the whole record. That is my responsibility.



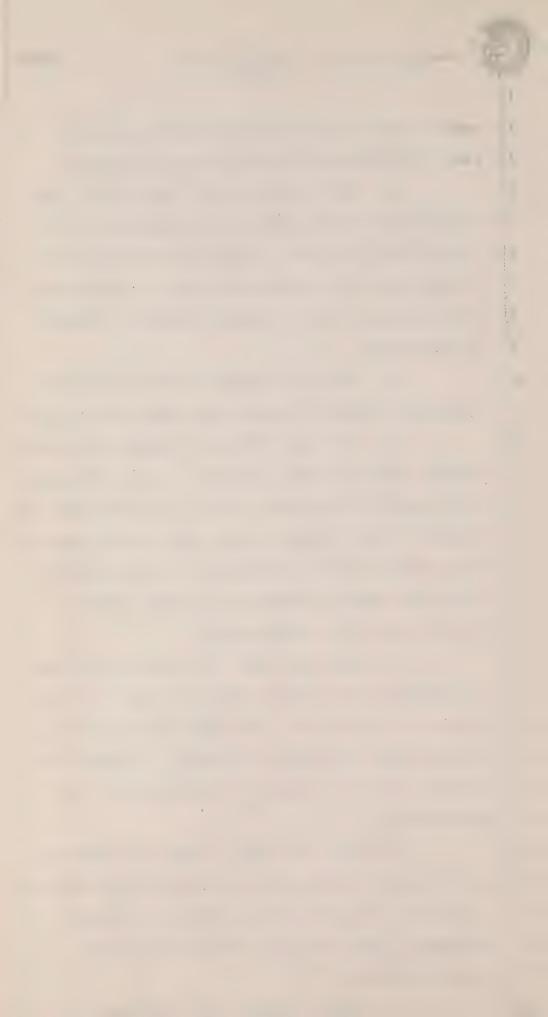


anything that led you to believe that the distance factor in rate making was being denied or ignored?

A. Well, as you say, Mr. Edsforth will deal with the brief of Manitoba as it was presented, but at the same time, Mr. Mauro, insofar as the set figure of so many cents per 100 pounds is a part of the Manitoba submission, well then, I say that distance is ignored to that extent.

- Q. Even if the degree of the reflection of cents per 100 pounds is purely reflecting terminal costs?
- A. Well then, if you are going to talk about terminal costs, Mr. Mauro, you must and, particularly with traffic, the long haul traffic, as you designate it, moving to Western Canada well, there is more than the origin terminal and the destination terminal involved.

 There are a number of terminals, and these factors certainly enter into consideration.
- Q. They will, then. You could, if you can once segregate or accurately estimate terminal cost as opposed to line haul cost. The fact that you put on a flat cents per 100 pounds, Mr. Roberts, to reflect its terminal cost is not denying the distance factor in rate making?
- A. Well, Mr. Mauro, I think the farther you go in distance on the railway, including these terminals on the way, it is my submission that the percentage increase in total would more properly reflect the service performed.
 - Q. And Mr. Edsforth, as I understand, is



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going to deal more specifically with the Manitoba proposal?

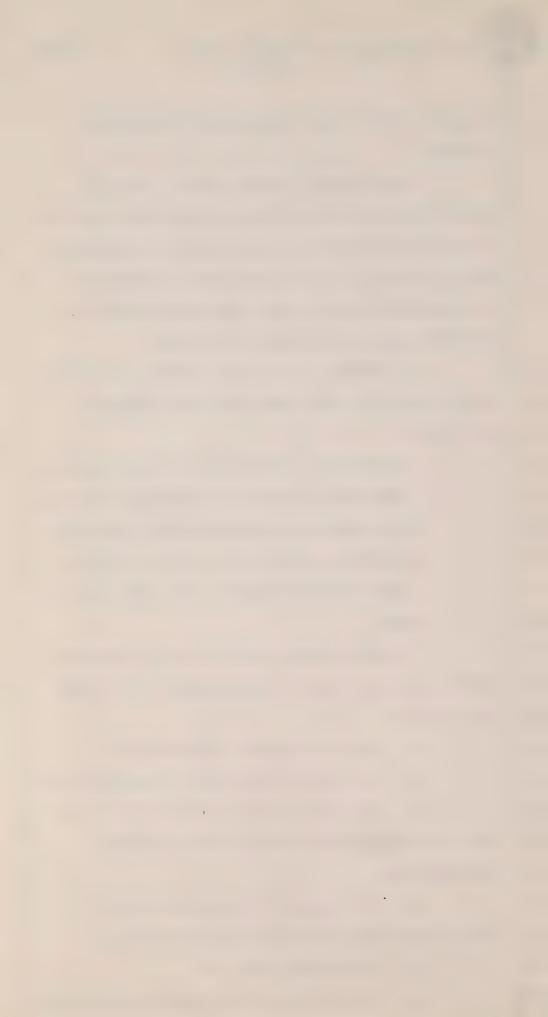
MR. SINCLAIR: Just a minute. What Mr. Edsforth is going to do is what I am ask him to do, and I do not know whether he is going to deal with that or not, or whether it will be dealt with in argument. I think we have to wait on this basis and see what Mr. Edsforth says, if my friend does not mind.

MR. MAURO: Q. Now, Mr. Roberts, if you will turn to page 33 of your paper, the last paragraph on that page:

"Basically the 50/50 increase method requires considerable statistical information which is not readily available and would be expensive to compile. It does not give due weight to traffic characteristics, value and length of haul."

I wonder whether you could say or enumerate briefly the major traffic characteristics that a rate must reflect?

- A. Well, it does not differentiate --
- Q. Just give me the traffic characteristics.
- A. The type of traffic itself; that is to say, the sand and gravel versus apples or versus refrigerators.
- Q. And you say the present horizontal method does reflect these traffic characteristics?
 - A. It certainly does, sir.
 - Q. Could you tell me in what way the Manitoba



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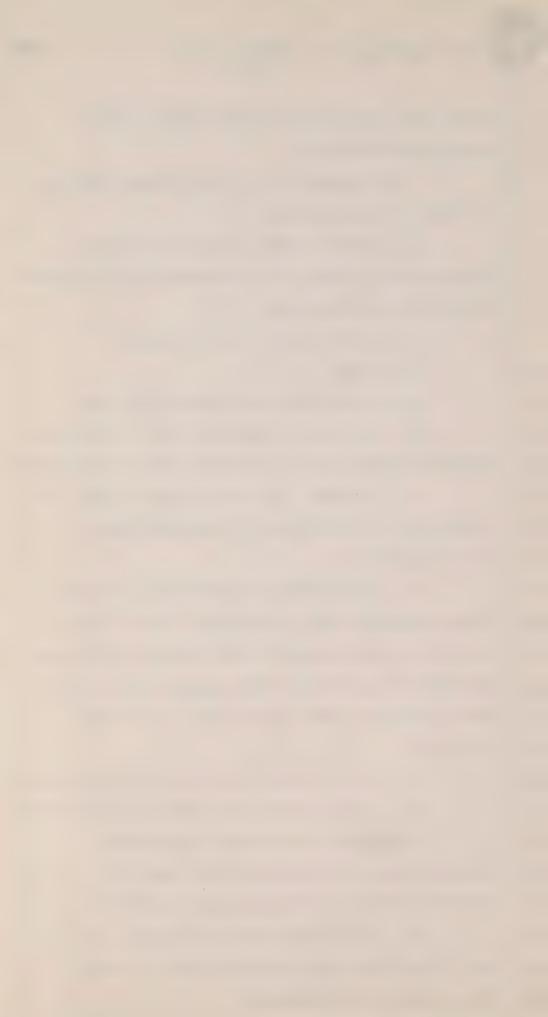
- A. By reason of the flat increase, which is a portion of the submission.
- Q. Have you made a study of the Manitoba submission, Mr. Roberts; the submission that we presented here with the modifications?
 - A. Have I made a study of it. sir?
 - 0.0 Yes?

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- A. I have not made a study of this, no.
- Q. But you are suggesting that the horizontal percentage method does reflect these traffic characteristics
- A. It does. Of course it does, because it is applied to the rate that is moving the traffic proportionately.
- Q. If we could go forward and demonstrate to this Commission that the Manitoba formula reflects in similar degree the major traffic characteristics that the horizontal percentage method, apparently so far as you are concerned, does reflect them, you would be satisfied?
 - If it reflects the traffic characteristics.
 - If it reflects the traffic characteristics.

Your next item is value. How does the implementation of the Manitoba formula deny the importance of value in imposing future increases?

In the same respect, Mr. Mauro, that it does not give any weight to whether you are moving sand or gravel or refrigerators.





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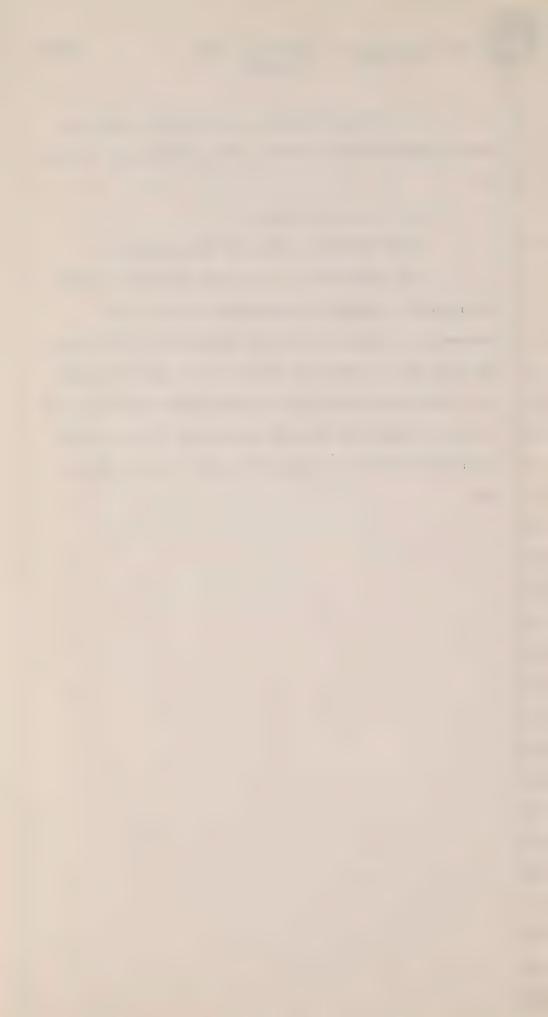
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Q. Again, you can say that with what you know of the Manitoba proposal, but you have not studied it?

A. That is right.

THE CHAIRMAN: You know the formula?

MR. SINCLAIR: I think the position is that
Mr. Roberts' evidence is addressed solely to the
proposal as it was advanced by Premier Roblin and does
not take into account the modifications and the change
in it that was brought out in the evidence that was put
in here, because Mr. Premier Roblin put it on a 50-50
basis and that is not necessarily the basis it is on
now.



MR. MAURO: Q. And then your third factor,

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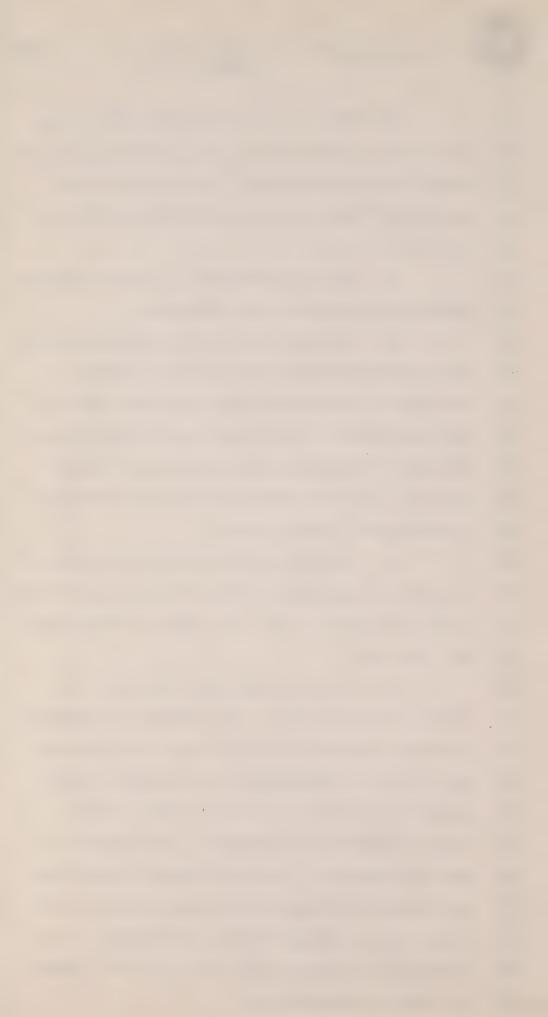
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Mr. Roberts, is length of haul, and again my question is, in what way does the Manitoba formula deny the true importance of length of haul in regulating future rate increases? A. Again I say because of the flat cents per

- hundred pounds portion of the submission.
- Q. On page 34 we are still talking about the 50/50 method and you say that it places a greater proportion of burden on the short haul traffic and on low rated traffic. Once more I would like to know in what way the Manitoba proposal could place a disproportionate portion of short haul since it is reflected in terminal and line haul costs?
- A. Certainly it would impede the movement of the traffic by applying to a mate of 15 cents per hundred pounds an increase of, say, five cents a hundred pounds and 5 per cent.
- Q. Well, we were rather taken with the interest of this Commission, and remainly the railways, in wanting something more than a theory and seeing the specifics of our proposal and -- we thought we could in preparing an exhibit, whichis No. 153D. This I am advised represents approximately three quarters of the total traffic set out in the Waybill Analysis and our transportation commission has applied the Manitoba formula under a straight 20 per cent increase. Now, to begin with, would you agree the 20 per cent increase is a fairly substantial one?



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A. It is a substantial increase.

If this was less than 20 per cent these figures would of course reflect the lesser amount?

A. That is right.

Now, over on the far right hand column' under the heading ---

THE CHAIRMAN: I could not prove that.

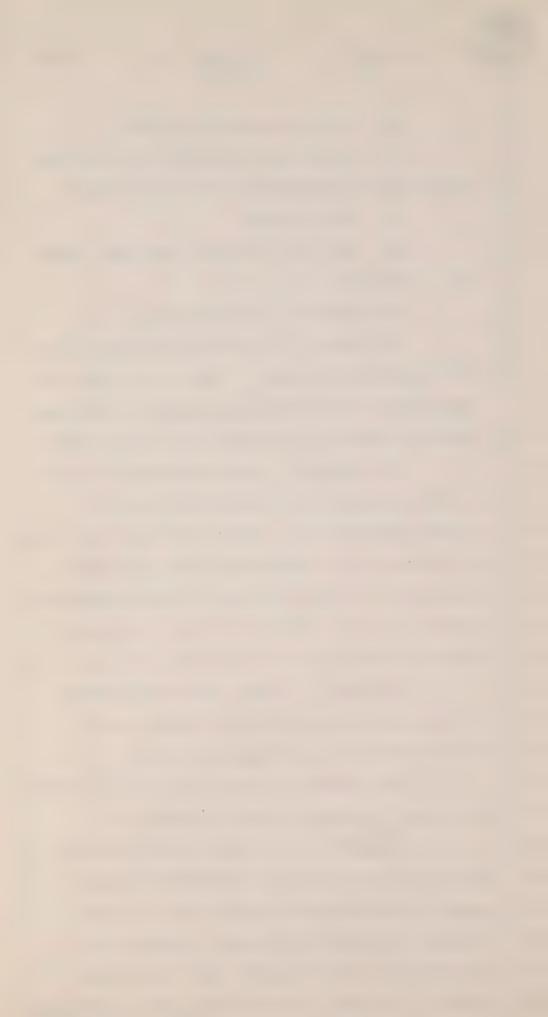
MR. MAURO: It is already in, Exhibit 153D of the Manitoba submission. Over in the right hand column appears the difference by applying the Manitoba formula in place of the straight 20 per cent increase.

MR. SINCLAIR: I had anticipated this line of questioning and this is one of the things Mr. Edsforth will deal with. Perhaps my friend would rather put questions to Mr. Edsforth and not to Mr. Roberts, because we do not agree with the calculations and will show why. I hope to hand to my friend in advance, tonight, a recalculation so that he can check it.

MR. MAURO: I think I would still like to put this question to Mr. Roberts, subject to Mr. Edsforth proving that our figures are wrong.

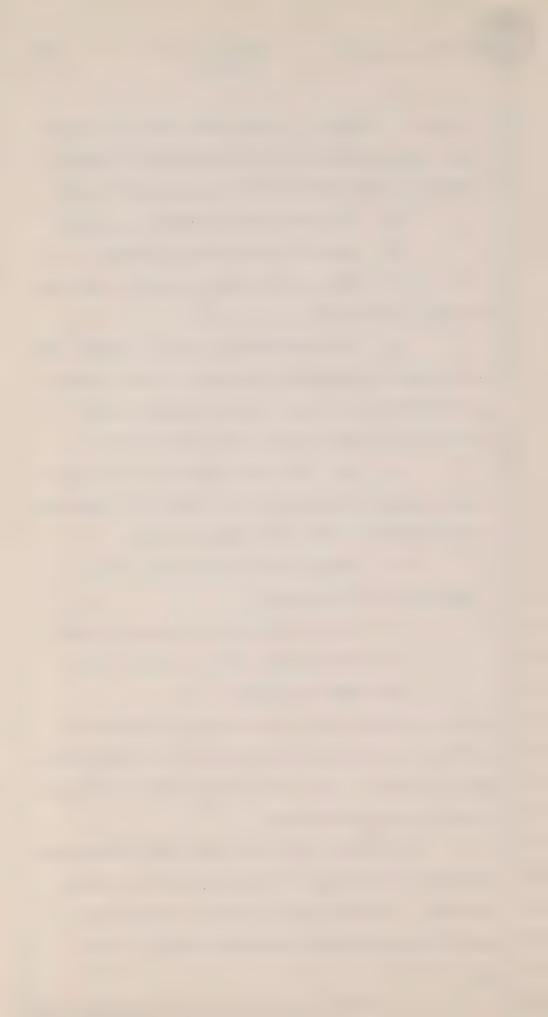
MR. SINCLAIR: I am not saying all the 'figures are wrong, I am saying we have a recalculation.

MR. MAURO: Q. Could you point out which one of those increases under the Manitoba formula places a disproportionate burden on the short haul traffic? In the case of copper, nickel and ore concentrate it would go up .46, under the Manitoba formula, 1.3 percent, or an increase under the Manitoba



formula of .7 cents. Is that one of the low rated or short haul commodites that you feel would be bearing a disproportionate share under the Manitoba formula?

- A. It is that type of traffic, all right.
- Q. And you feel that this increase ---
- A. This is one movement, and you would have to look at all of them.
- Q. Just down there to about -- it only gets up to about 1.8, generally speaking, in the increases and then it tends to fall off and stabilize itself and fall off in the long haul high rated traffic?
- A. Yes. Well, Mr. Mauro, you would also have to examine other factors that enter into arriving at the formula. That is my answer to that.
- Q. I notice on the same page, page 34, towards the end of the page:
 - "... but to increase to a greater degree than other traffic certainly would bring forth many complaints."
- You are discussing the low rated heavy loading commodities and if there is any increase they bring forth
 many complaints. Has the present horizontal increase
 tended to bring complaints?
- A. Well, there have been complaints because naturally there always are when you have an increase in rates. We have met with people concerned and where it was necessary to move the traffic we have made it.
 - Q. There have been plenty of complaints under



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the horizontal method of increase?

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- A. Certainly, and there will always be complaints on increases.
- Q. Well, can you consider that there has been one really quiet moment since the Second World War on general revenue cases because of these horizontal percentage increases?
- A. Well, not because of complaints because it has been necessary for us to obtain additional revenue through increases in costs.
- Q. What was the major complaint of the provinces in the last general revenue case, the 17% case?
- A. Well, Mr. Mauro, we have always heard from the western provinces ---
 - What about the maritime provinces?
- And the maritime provinces also have complained, the provinces themselves. However, the people we deal with from day to day, we make the adjustments we feel are justified in order to move the traffic.
- Q. And we expect under this new formula, if the Manitoba formula were instituted you would make the same day to day adjustments with your shippers?
- A. We would have to, but we think there would be more adjustments because of the method of applying the increase because people would think they were being unfairly treated.
 - Q. On page 35, we are not talking of the



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Manitoba proposal, you say:

"The 50/50 method of increase does not meet the tests which I referred to earlier as controlling the method to be applied in general revenue cases."

Now, for my own purposes I have numbered these, and No. 1 is that it is not practical and is unfair to shippers and railways alike. I suggest to you that the present method of horizontal percentage increase has proven impractical and grossly unfair?

- I do not agree with you.
- Q. The next one is that it is unfair to the short haul shipper. I suggest to you the present method of horizontal percentage increase is unfair to the short haul shipper?
 - A. No. sir.
- Q. No. 3 is it places an undue burden on low rated traffic. I suggest the present method places a burden on high rated and captive traffic?
 - A. I do not agree with you.
- The fourth point is that it necessarily brings about conflicts. I suggest to you it has resulted in consistent and unnecessary conflict from 1946 up to this Royal Commission?
- A. No. This 50/50 method would bring more conflict with shippers.
- Q. Your fifth point here is that it would seriously hamper the expeditious handling of general revenue cases. I suggest that our method, far from



hampering expeditious handling of general revenue cases would, in fact, expedite hearings since in the recent cases it has not been the amount of the increase but the method of applying it?

A. I think you would hear from people applying a part flat increase and part flat percentage.

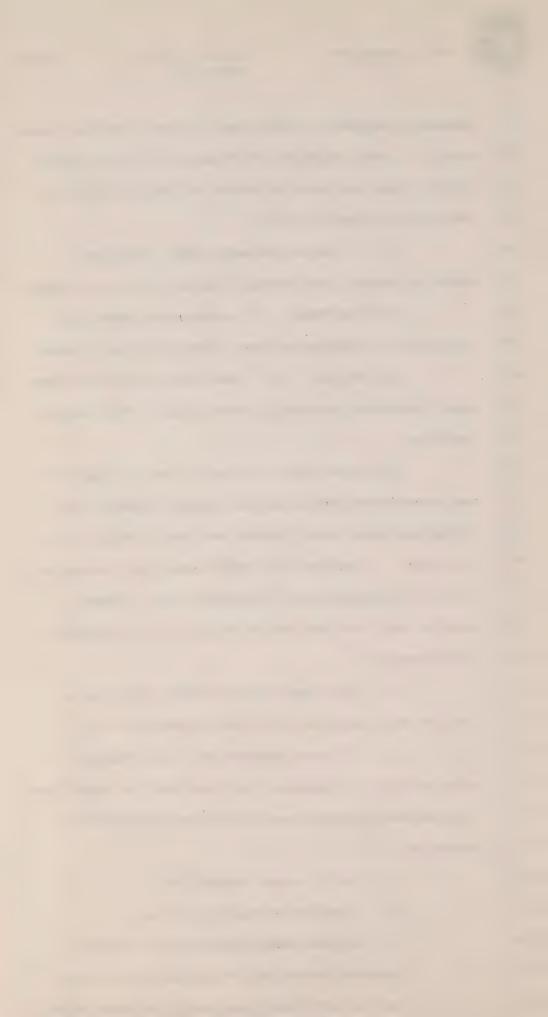
THE CHAIRMAN: It is apparent there is a difference of opinion between counsel and the witness.

MR. MAURO: Q. That always makes for some keen discussion, especially with a man of Mr. Roberts: standing.

The sixth point is that it would result in the increase not being applied propor tionately or evenly and thus would disturb the basic freight rate structure. I suggest our method would more accurately reflect the proportion of increased costs between terminal and line haul which would have necessitated the increase?

- A. I do not think it would result in a proportionate application of the increases at all.
- Q. It would distort the basic freight rate structure, I suggest, far from that, it would tend to preserve the basic equality in the freight rate structure?
 - A. No, it would distort it.
 - Q. I notice on page 36 you say:

"It believes that any method of general increase which can be applied which is not on the horizontal percentage increase method,



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will adversely affect low rated heavy loading commodities, short haul shippers and railways."

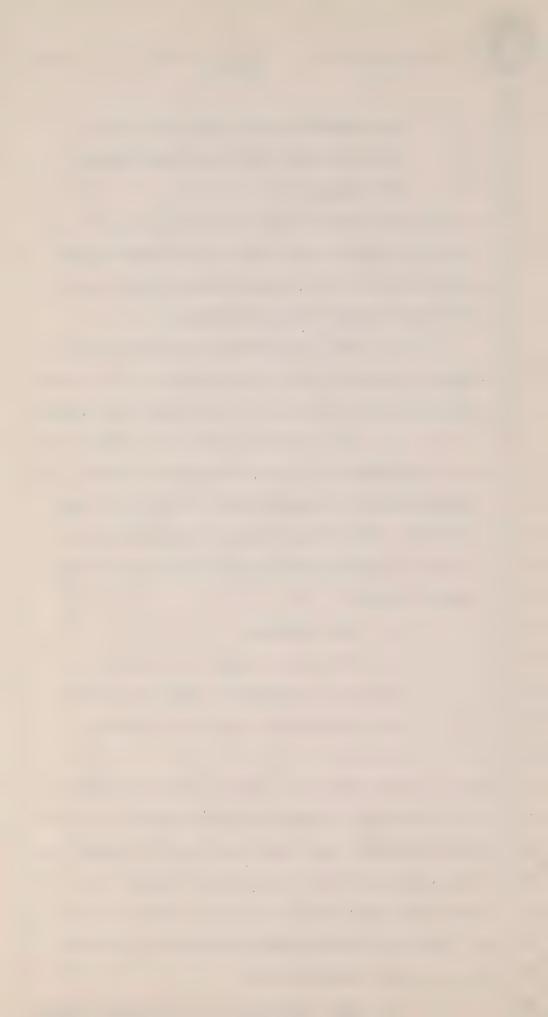
My only point, which I trust you will agree with, is that this Commission must also be concerned with the adverse effect of the present method of high rated commodities and the long haul shipper?

- Well, the Commission must consider all Α. aspects, but we feel that the application of any other method would have that impact on the short haul shipper.
- Q. Now, the next point I would like to deal with is this matter of just and reasonable rates. As I understand your submission, and I think it is the position of the Board of Transport Commissioners, a just and reasonable rate is a rate which returns its variable costs?
 - A. Plus something.
 - Well, now, at page 48 you say:

"A just and reasonable freight rate is one that has variable cost as the floor or minimum."

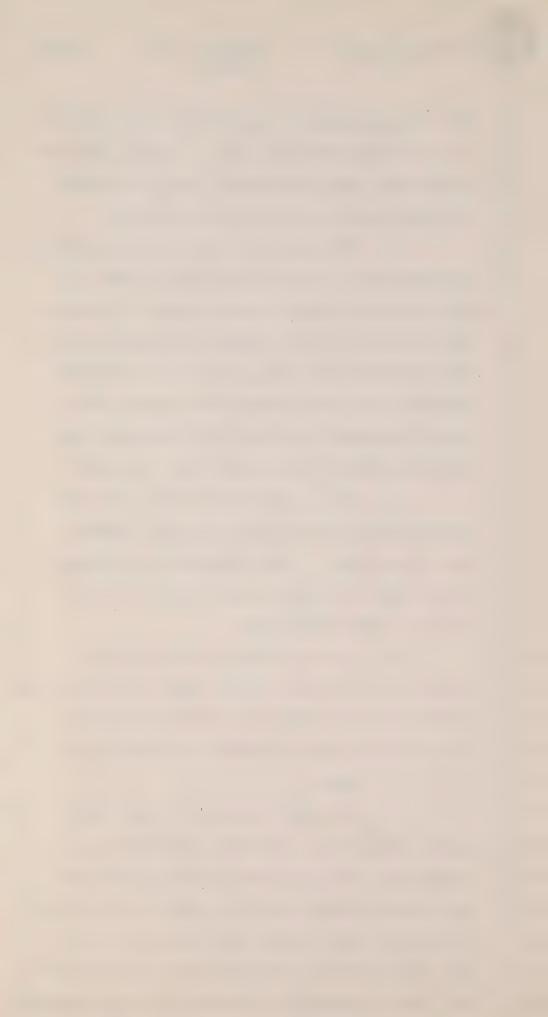
Now, in other words, if a shipper complained either to you or the Board of Transport Commissioners, as I read that statement, if you could show that the freight rate being complained about returned your variable cost, in other words, that it must not be low, that if it did not return its variable costs it would be deemed to be a just and reasonable rate?

Well, to my way of thinking, and perhaps



I did not express myself properly here, but certainly
I want something above this floor. I mean, the floor
is the danger signal below which I will not go and I
need something more than that for my services.

- Q. This is a point I just want to clarify it for this Commission, because we have heard an awful lot about just and reasonable and we now have a statement from an authority on this matter who is dealing with these rates from day to day, you are now telling us that while a rate that returns your variable cost is just and reasonable you, as a traffic manager, want something a little bit above just and reasonable?
- A. Well, I do not know of any rate that would be in the structure that is at the variable cost, at the floor. Our rate makes a contribution over the floor, the cost of performing the service, and that is what we must seek.
- Q. I am not trying to trick you into anything, as if I could, but the point is -- for instance, you had the "At and East" grain rates and you have told us some of them are perhaps not compensatory?
 - A. Right.
- Q. Now, could bringing this up to your variable cost, if you could bring this right up to variable cost, which includes the cost of money and depreciation, variable cost is a certain satisfactory level of rate, and if you brought these rates up to that level according to what you have said on page 48 this floor or minimum is the test of just and reasonable?



A. Well, of course, even if we carry the traffic, if we set the floor as being proper for a just and reasonable rate then it would not be just and reasonable in so far as the shipper is concerned because that traffic would not be contributing anything.

commissioner Goberl: Would you not have used that sentence because, the way I understand it, it is what the Board of Transport Commissioners consider as compensatory?

THE WITNESS: Well, the Board of Transport
Commissioners would be the judge of the just and
reasonable rate.

COMMISSIONER GOBEIL: All right, but when they talk of a compensatory rate, it is not a rate which meets variable cost?

THE WITNESS: It meets the variable cost plus something.

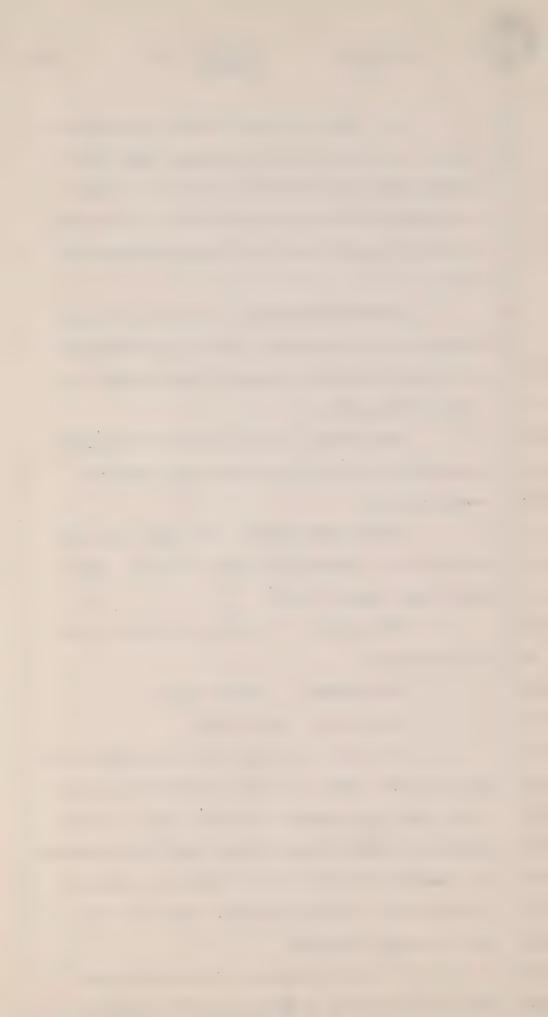
THE CHAIRMAN: You must live?

THE WITNESS: Absolutely.

MR. MAURO: Q. But under that class it was your statement that a just and reasonable freight rate is one that has variable cost as the floor or minimum. Now, do you have any upper level of just and reasonable, for instance, if a rate returned twice its variable cost, how much just and reasonable would that be?

Is it a really just rate?

A. The justness and the reasonableness would be the ability to hove the traffic freely to



maximize the railways' revenues.

Q. That would have nothing to do with whether it was just and reasonable because if it was just returning its variable cost it would be just and reasonable as far as you are concerned?

A. Well, just and reasonable with the variable cost as a floor, as I say, in my day to day work I expect a contribution from the traffic we handle.

COMMISSIONER ANSCOMB: May I interject
here and ask a question? This is very confusing for
a business fellow and I just want to see what it is
all about. It is just and reasonable, to who as you
express it in these two lines.

THE WITNESS: Well, it works both ways, it works just and reasonable to the shippers in Canada and just and reasonable to the railways.

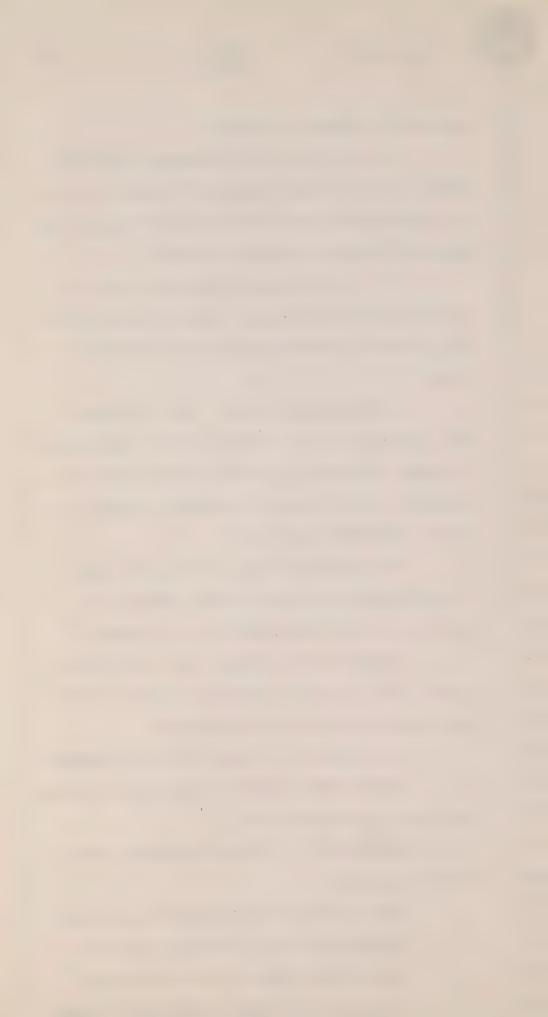
COMMISSIONER ANSCOME: Well, then, may I ask you this: if you did your whole business on that basis how long would you be in business?

THE WITNESS: We would not be in business.

COMMISSIONER ANSCOMB: Thank you very much,
that is what I wanted to know.

MR. MAURO: Q. Finally, on page 37 this statement appears:

"The second is that because of increasing competition, the contribution which the higher rated traffic has been making in the past to the lower rated traffic is not



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So, Mr. Roberts, I would expect that you and the

now possible and low rated traffic must

now carry more nearly its proportion of

Canadian Pacific Railway would agree and support any method that would result in the low rated traffic carrying more nearly its proportion of total cost?

total cost."

- A. We are endeavouring to come to that conclusion that it carries ---
- Q. But you would support any method which could more equitably proportion the proper total cost?
- A. If it was a moving application without a loss of traffic.
- Q. And you are willing to go along with this Commission in their deliberations and their decisions on what they think can better achieve this proportionate distribution of total cost?

THE CHAIRMAN: This Commission can only recommend.

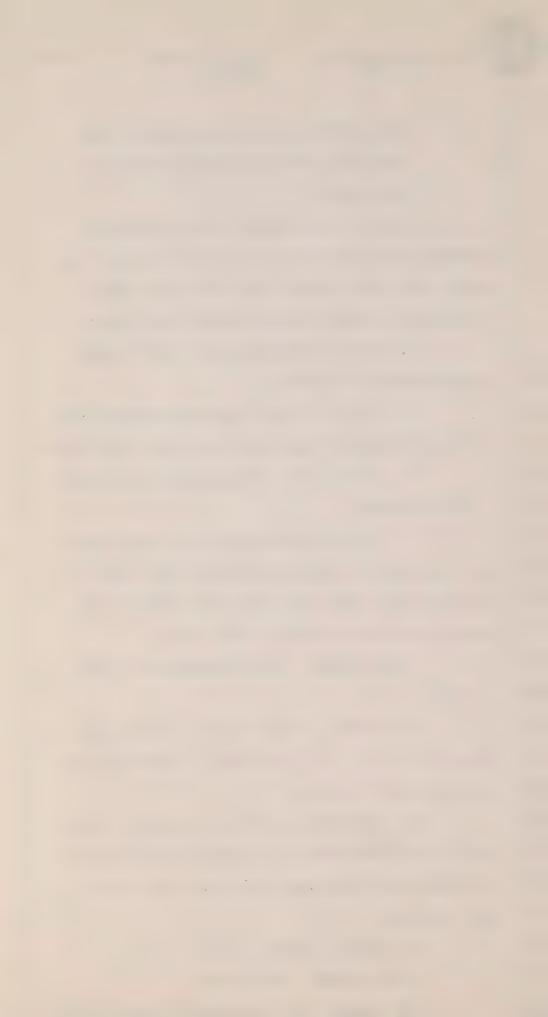
MR. MAURO: That is all we would expect the Commission to do. We do not want to take away from you your right of appeal.

MR. SINCLAIR: At least we generally give notice and let the other side appear, and there are people who have not always done that, and I have in mind demurrage.

MR. MAURO: Thank you very much.

THE CHAIRMAN: Mr. Carter.

MR. CARTER: Mr. Chairman, Mr. Gordon Blair



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is here and has one or two questions he would like to put to Mr. Roberts. As far as I am concerned it is satisfactory to let Mr. Blair precede me at this point.

> THE CHAIRMAN: Very well. Mr. Blair? Mr. BLAIR: Mr. Chairman, I regret I am only

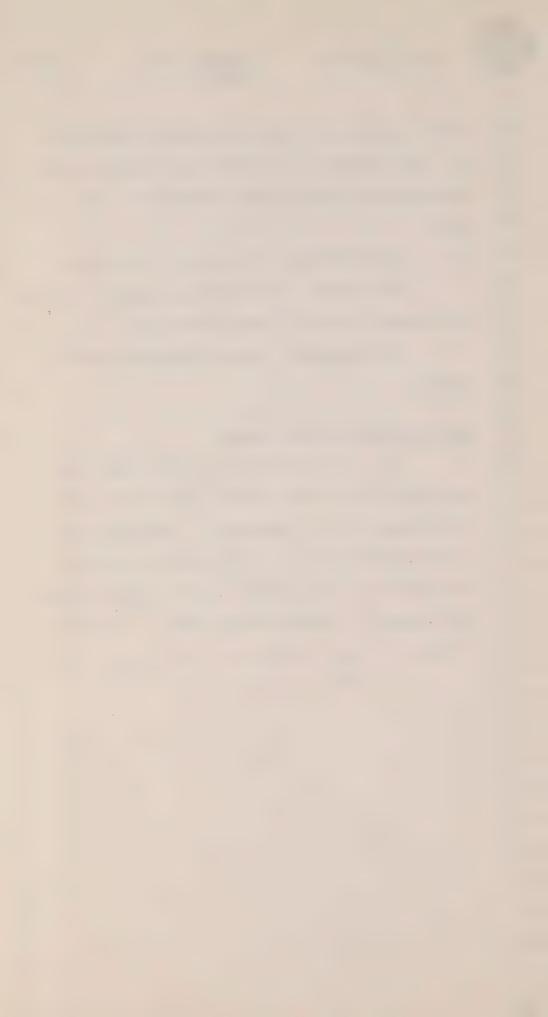
an occasional visitor at these proceedings. THE CHAIRMAN: We are always very glad to

see you.

CROSS-EXAMINATION BY MR. BLAIR:

Q. If I direct any questions which have been dealt with by other counsel I will have to ask the indulgence of the Commission. I have not got a transcript before me, but I do intend to refer to the submission of the Canadian Pacific Railway entitled "Rate Changes in General Revenue Cases." This is a summary of your evidence, is it not?

A. That is right.





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Q. Do you think the Board of Transport

Commissioners should give consideration to the position

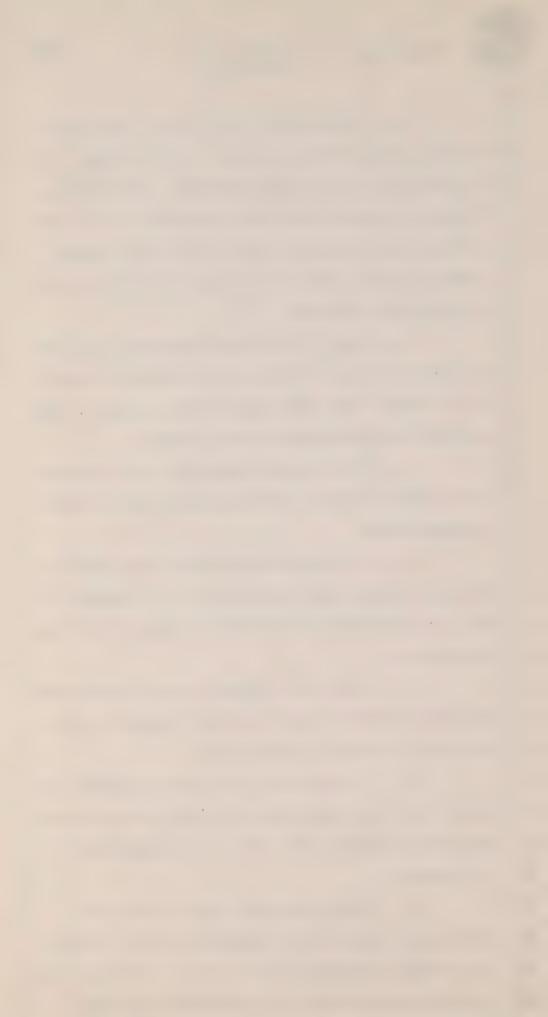
of competing commodities as, for example, different forms

30 of energy and their ability to penetrate partiular

Q. Mr. Roberts, first of all I would like to direct your attention to page 4 of the summary, in the bottom part of the first paragraph, where yoù say, "Nothing is clearer than that jurisdiction of the Board of Transport Commissioners is not that of an economic planning board." What, precisely, do you have in mind in making that statement?

A. Well, I had in mind there the fact that the Board of Transport Commissioners through the medium of the freight rates might apportion the markets of this country to different areas of this country.

- Q. Well, are you suggesting that a decision of the Board of Transport Commissioners does not have an economic effect?
- A. So long as the decision of the Board of Transport Commissioners is equitable and it applies so far as all shippers are concerned, it does not have that effect at all.
- Q. What sort of things do you think the Board of Transport Commissioners should not consider if it is not to be an economic planning board?
- A. It should not, for example, consider the wages of one man's operations, the land tax that he pays; these are all factors that enter into the operation of a business.



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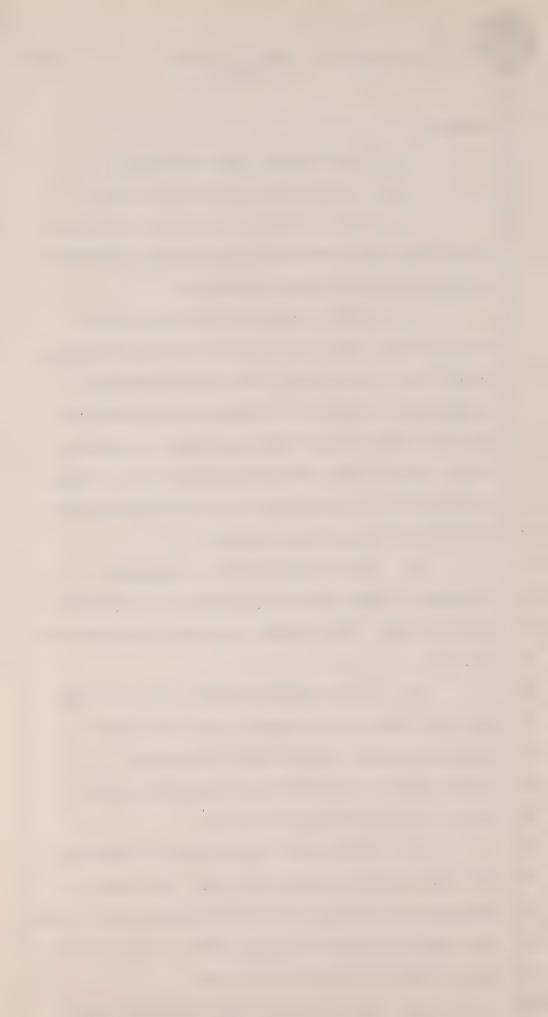
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A. The different forms of energy?

Q. Such as coal or natural gas or oil?

- A. Well, so long as each is in its natural place in the rate structure, then I do not think there can be any quarrel between themselves.
- Q. What if certain commodities are not transported by rail -- and I have in mind particularly natural gas and petroleum, which are substantially transported by pipeline? Do you think the Board of Transport Commissioners should give any consideration to the cost of those commodities and the cost of their transportation in considering the cost of transporting other forms of energy such as coal?
- A. Well, that would be a competitive situation -- crude oil moving by pipeline versus coal moving by rail, and we have, ourselves, met situations like that.
- Q. If the railways do not choose to treat this as a competitive situation, would you think it proper or improper for the Board of Transport Commissioners to consider this in deciding what the level of particular rates should be?
- I think the ramifications of a question like that are pretty great, Mr. Blair. The Board of Transport Commissioners deals with transportation. When any competitive situation arises, the railways may meet this situation if they can make money.
 - Q. Well, if the -- and I come back to my



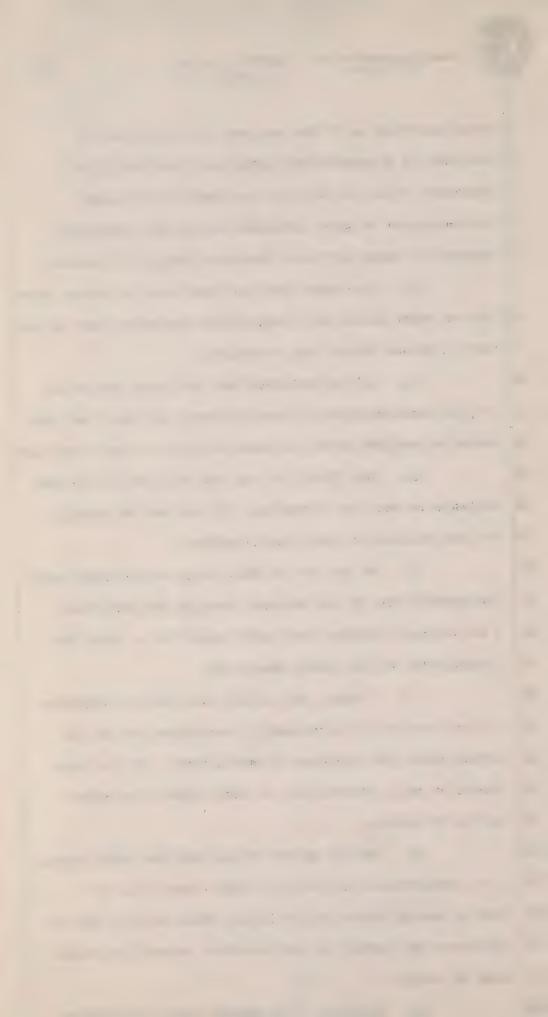
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Roberts, er.ex. (Blair)

basic question if the railways do not choose to
consider it a competitive situation, then would you
consider it not the duty of the Board of Transport
Commissioners to give consideration to the competing
aspects of these different forms of energy in a market;

- A. You mean that the Board should decide where the railways should meet competition and where they should not? I do not think that is proper.
- Q. If the railways and the Board choose not to give consideration to these factors, are they not then making a positive economic decision by their very omission
- A. Mr. Blair, it may not be possible for the railways to meet the situation. It may not be possible for the railways to meet the situation.
- Q. We are not at this stage so concerned with the possibility of the railways meeting the situation.

 I am dealing with what the Board should do -- what the jurisdiction of the Board should be?
- A. I think, Mr. Blair, that the jurisdiction of the Board as it is presently constituted as far as normal rates are concerned is sufficient. The railways should be able, themselves, to meet competition where and as it arises.
- Q. And you do not think that the Board should give consideration to the fact that other forms of fuel or energy which may be moving other than by rail do challenge the market of coal or other commodities which move by rail?
 - A. Likewise, they should give consideration



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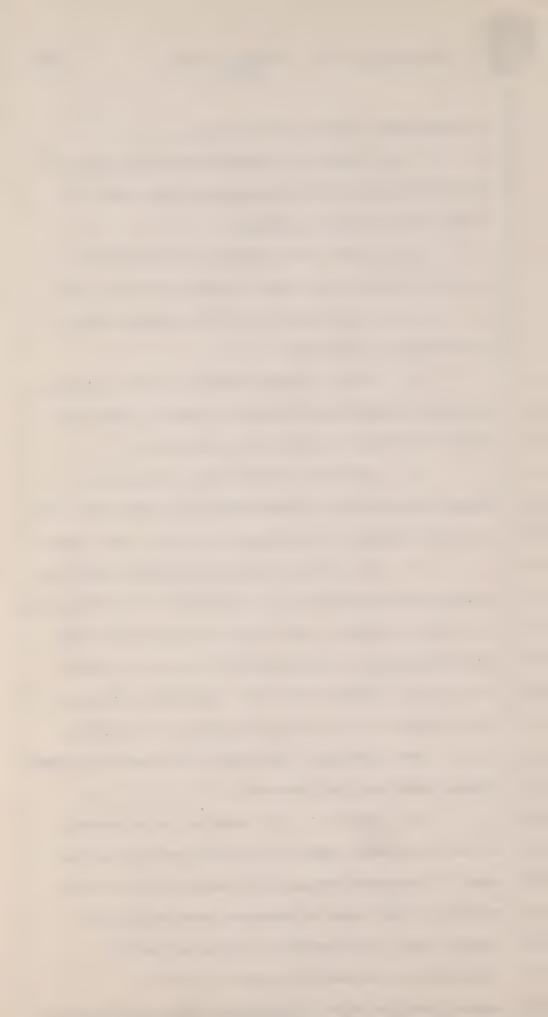
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to fresh apples versus canned apples.

- Q. And you do not think that by failing to take these factors into consideration that they, in effect, make economic decisions?
- A. I say that so far as competition is concerned, we should be left to make up our own minds.
- Q. I hear that, but I am talking of the jurisdiction of the Board.
- A. Well, I think that is my answer to you. that the railways should be able to make up their own minds insofar as competition is concerned.
- Q. And all of these larger matters of competition between different types of commodities, that is not the business of the Board -- is that your answer?
- A. Well then -- this is a federal body, and it would be interfering, in my estimation, in the working of a normal business. Why should it be any different from the automobile manufacturer or the apple grower, or any other industry like that? Why should there be any difference so far as the railways are concerned?

MR. SINCLAIR: You should not be asking learned counsel questions. Mr. Roberts.

MR. BLAIR: Q. Mr. Roberts, you apparently are of the opinion that it is not the business of the Board of Transport Commissioners and should not be the business of the Board of Transport Commissioners to concern itself with whether or not a particular commodity will be unable to reach a market in competition with other commodities which might be carried



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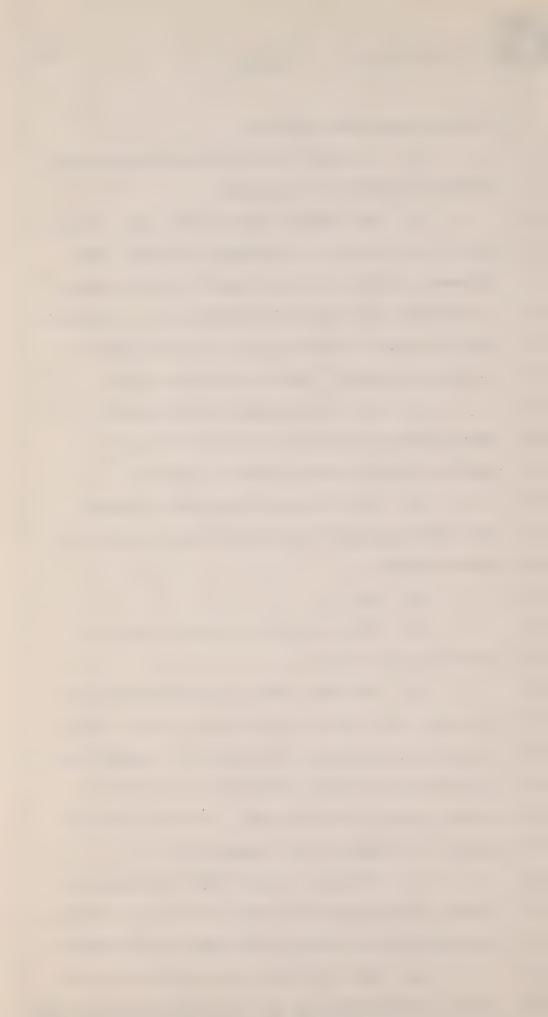
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by other methods than railway?

I think it is up to the railways to meet competitive situations themselves.

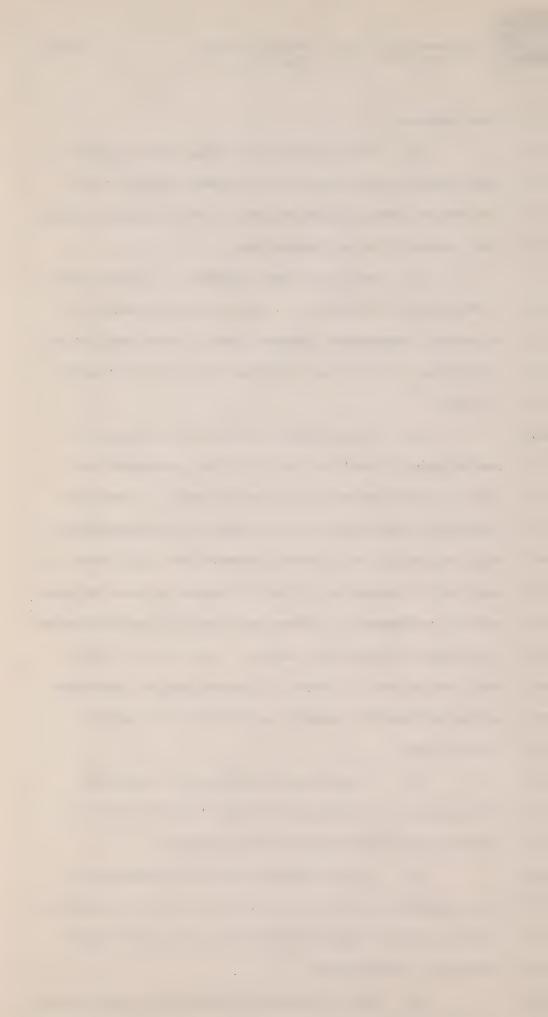
- Q. Mr. Roberts, dealing with page 7 of your brief, in the fourth full paragraph you state, "For shippers, it must not be an attempt to offset economic or geographic advantages or disadvantages. It must not favour a shipper of one commodity over the shipper of a competing product." What do you mean by that?
- A. Well, the increase must be applied proportionately to the rates that are moving the traffic at the time the increase is applied.
- Q. Are you aware of any rates now which might give a geographic advantage to one shipper over another shipper?
 - A. No.
- Q. You say there is no such a rate in existence at the moment?
- A. Not normal rates. You are representing the Lignite Coal Dealers Association, are you. Well, of course, your question is in respect of Lignite Coal -- the increase applied to lignite coal versus the increase applied to Alberta coal. In other words, it applies to all forms of coal regardless.
- Would you consider that the pattern of 0.0 increase which has occurred since the war has conferred a geographic disadvantage on the lignite coal producers?
- A. Well, of course, basically the rates on coal from Saskatchewan are on a lower basis than the rates



from Alberta.

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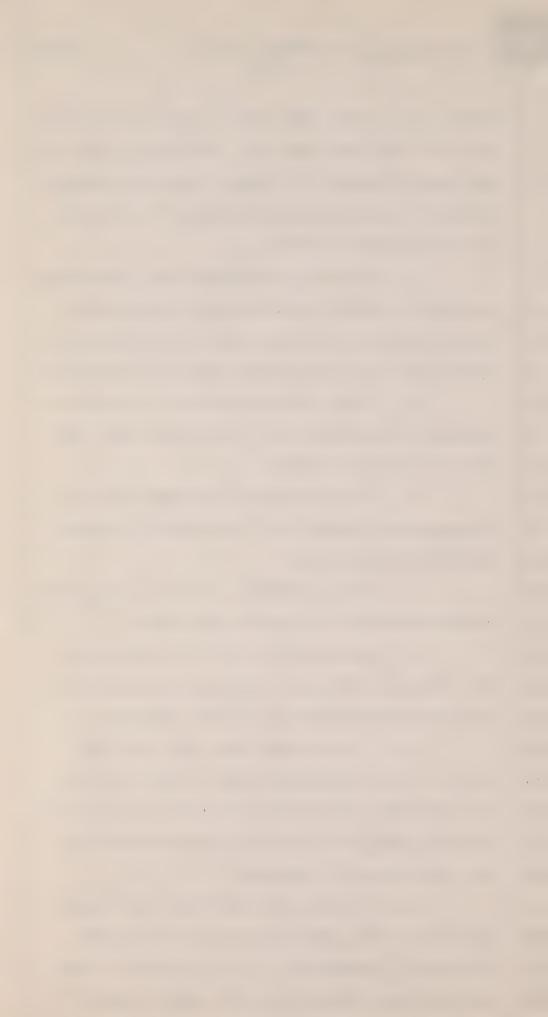
- Q. But you would not think the fact that flat cents per ton increases have been applied to a low priced commodity moving over a short distance places that commodity at a disadvantage?
- A. We have already stated -- I stated this to Mr. Brazier yesterday -- that we are in favour of an overall percentage increase, and in each decision of the Board, as you know, there has been a flat increase on coal.
- Q. I would like to direct your attention now to pages 25 and 26, the first full paragraph on page 25, which reads in part as follows, "A practical experience demonstrated to the Board that attempting to make exceptions in a general revenue case only leads to conflict of interests, an unfair burden on some shippers and the preferment of others and generally unsatisfactory conditions obtaining all around." Do I take it from that you are not in favour of having special interests of any particular commodity considered in a general revenue case?
- A. I have said so far as I am concerned the horizontal increase is the most equitable way of obtaining the increased revenue necessary.
- Q. I do not quite hear your answer to my main question. Do you think there is room in a general revenue case for the consideration of the position of particular commodities?
 - A. Well, if there was room for consideration



ANGUS. STONEHOUSE & CO. LTD. Roberts, cr.ex. TORONTO. ONTARIO (Blair)

such as that, if they were heard, I think we would never get out of the Court Room, sir. The fairest method of applying an increase is to apply it generally and then, wherever it is necessary remove whatever is necessary to keep the traffic moving.

- Q. Are you of the opinion that the remedies given by the present law to particular shippers are fully effective in permitting them to make complaints against the level of rates applicable to their products?
- A. Well, they have recourse to the Board of Transport Commissioners, sir, whenever they feel they are being unfairly treated.
- Q. Ame you familiar for example with the long history of lignite coal complaints to the Board of Transport Commissioners?
- A. Well, of course -- you mean each general revenue case? In each general revenue case?
- Q. Are you aware of the fact that at one stage they were advised in a general revenue case this was not an appropriate form for their complaint?
- A. I do not know those words were used exactly, but it was suggested that if they felt that some adjustment was necessary they should apply to the railways, and if they could not get satisfaction then, they had recourse to the Board.
- Q. Are you aware that after this happened they did, in fact, make an application to the Board of Transport Commissioners for an adjustment of their rates and were advised in the last analysis that it



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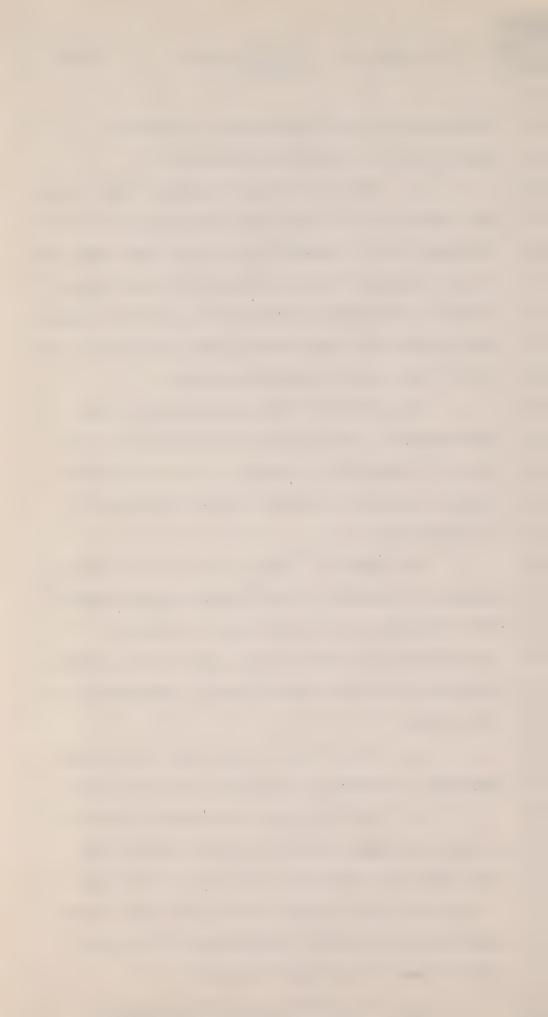
involved such a wide consideration of competing products that it could not be considered?

A. The only occasion I know of, that I have been involved in, Mr. Blair, was the question of a rate to Brandon for the thermal heating plant there which was brought up during a general revenue case and an agreed charge was subsequently entered into to move that traffic and to enable the Saskatchewan lignite producers to sell some of their coal to the Manitoba hydro.

MR. SINCLAIR: That was not raised by the lignite people. That was raised by a witness from the Province of Manitoba — a member of the Manitoba Hydro-Electric Commission. What Mr. Blair is referring to is another matter.

MR. BLAIR: Q. You are not able to answer my question as to whether or not this particular industry, which has perhaps come to the Board of Transport Commissioners more than any other, has been able within the present rules to achieve a proper consideration of its position?

- A. Well, I have no knowledge of any formal complaints or hearings in connection with those rates.
- Q. And if you made the statement, which I am sure you intended to make, in your evidence that these particular complaints should not be considered in connection with a general revenue case, you did not have present in your mind the position of the lignite interests when you made that statement?
 - A. I am sorry I did not follow that.





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Q. As I understand it, you are saying that the position of particular commodities should not be considered in connection with a general revenue case?

A. Well, as I have said before, they do have recourse to the Board.

Q. But in making that statement and in suggesting that they do have recourse to the Board, you did not have in mind the history of this one industry which it has been demonstrated was not able to have a proper hearing before the Board?

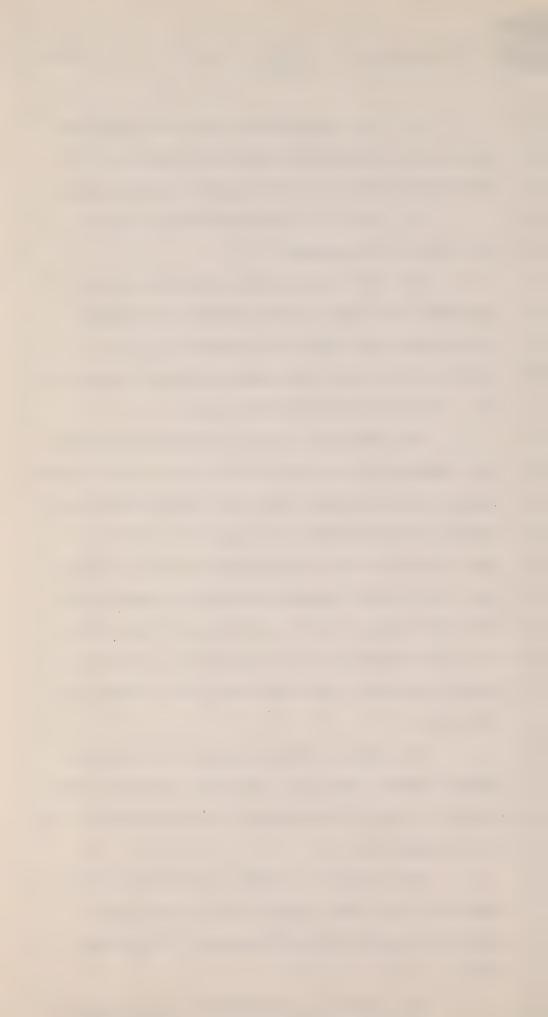
MR. SINCLAIR: Counsel, of course, has made that statement, that they were not able to have a proper hearing before the Board. They were represented in one hearing, to my knowledge, by counsel who, I am sure, made certain they had a fair hearing before the Board, and I recall that situation quite vividly, and he may not be the counsel that is now acting for them, but he was of such experience and ability that I am sure he was able to present their case with force and have it considered.

MR. BLAIR: Well, of course, the events Mr.

Sinclair refers to are well known, and I am never sure
whether Mr. Sinclair is arguing or giving evidence. Has
he been sworn?

MR. SINCLAIR: I think certain members of the Commission could take judicial notice of the fact I have just brought to their attention; it is so well known.

MR. BLAIR: Q. Mr. Roberts, I would like to



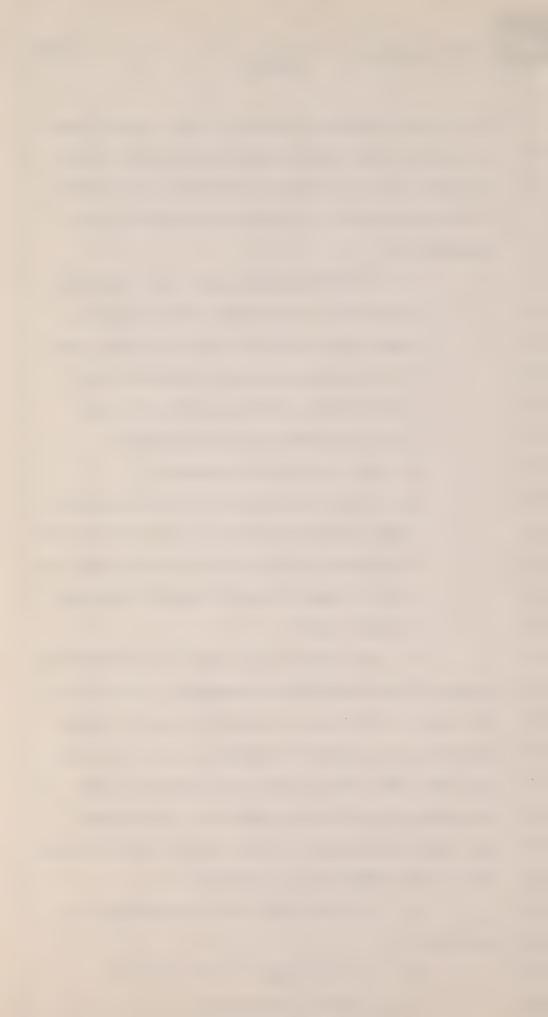


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Q. You

direct your attention to page 28 of the evidence, and to save your time and the Commission's time, I would like you to briefly read the paragraph in the middle of the page beginning, "Notwithstanding what I have mentioned ..."

- A. "Notwithstanding what I have mentioned concerning the somewhat limited length of haul and value range in coal, the fact that flat increases have been applied to this commodity has caused complaints from the lignite producers in Saskatchewan."
- Q. And the following sentence?
- A. "This has resulted in conflict between these producers and the Alberta producers of bituminous and semi-bituminous coal which has been in issue before the Board of Transport Commissioners."
- at many of these meetings and hearings: do you really think this is the basis of complaint which the lignite producers have made over the years, or is it not the case that their complaint has been directed at the increasing competition of natural gas and that they have sought some form of relief from the Board to enable them to meet natural gas competition?
- A. I do not recall that specifically, Mr. Blair, no.
 - Q. You are unaware of this evidence?
 - A. I do not recall that.



Q. In the decision of the Board of Transport Commissioners which was dated December 27, 1957, the followings appears:

"With regard to lignite coal it was submitted in the further argument that the Board should give consideration to an exception in this article for two reasons: one that it is an extremely low valued article on which the shippers have only been able to raise the selling price during the past ten years by 10ϕ a ton; and second that the industry is facing a new condition of serious importance owing to the immediate threat of competition of natural gas. So long as the rates are just and reasonable in and of themselves, the second reason is not one that the Board can take into consideration", and so on.

Having regard to that judgment can you not recall that the question of the competition from natural gas was raised as a major consideration in these hearings related to lignite coal?

- A. I honestly cannot remember it being raised as a major issue. It must have been, in view of the remarks of the Board here.
- Q. Are you satisfied still that the question of competition from natural gas carried by pipeline is something which should not be considered by the Board in considering the rates applicable to another form of energy such as coal?





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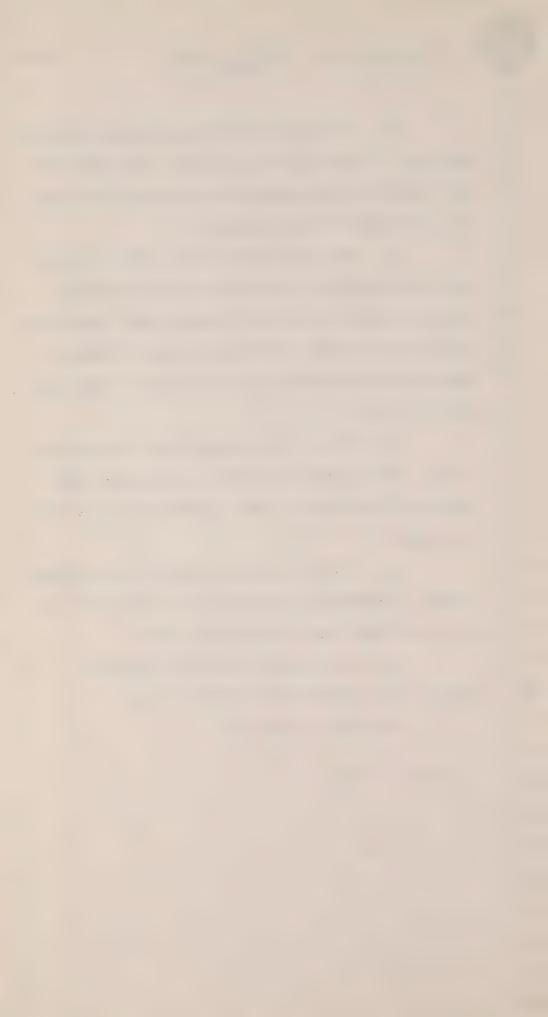
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- Q. And would you not agree that in recent years the question of coal as it has been discussed before the Board of Transport Commissioners, and before this Royal Commission, has been discussed in terms of competition with natural gas and oil and not with other forms of coal?
- A. It has been discussed with the railways in those terms because reductions in rates have been made from time to time to meet competition of fuel oil, for example.
- Q. I would now ask you whether the railways consider it important to preserve coal traffic in view of the fact they cannot carry natural gas?
- A. We certainly will do everything we possibly can to assist the movement of coal.

MR. BLAIR: Thank you.

--- A short recess ---



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THE CHAIRMAN: Order, please. Mr. Carter? MR. CARTER: Before turning, Mr. Chairman, to my cross-examination of Mr. Roberts, I should like to read a brief letter into the record. This is the reply of Dr. Britnell to questions asked of him in the course of his cross-examination by my learned friend Mr. Sinclair. The letter, sir, sets out the page and transcript reference, and it sets out the question and also the answer. The letter, as a matter of identification, is dated October 22nd, 1960, and is addressed to Mr. I. D. Sinclair, and it reads:

> "I. D. Sinclair, Esq., Vice President and General Counsel, Canadian Pacific Railway Company, Montreal, Quebec.

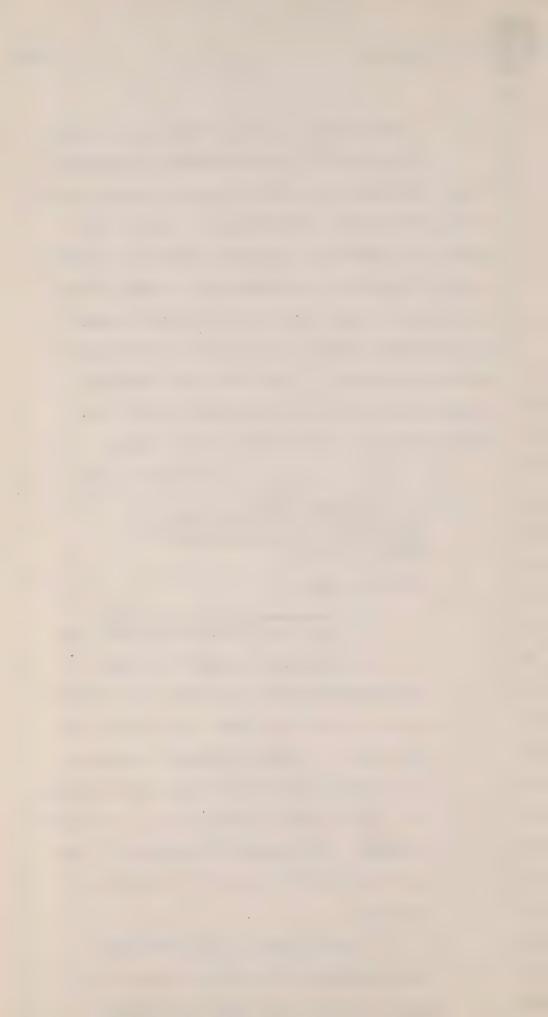
Dear Mr. Sinclair:

Re: Government Assistance in the Building of the Crow's Nest Line

October 22. 1960

In paragraph 74, page 37, of the Saskatchewan Submission entitled An Historical Analysis of the Crow's Nest Pass Agreement and Grain Rates: A Study in National Transportas tion Policy'. I stated that this proposed government subsidy toward construction was sufficient according to estimates of the company to cover over 40 per cent of the cost of the Crow's Nest line.

In the course of cross-examination before Hearings of the Royal Commission in Ottawa on September 21 last, you asked me



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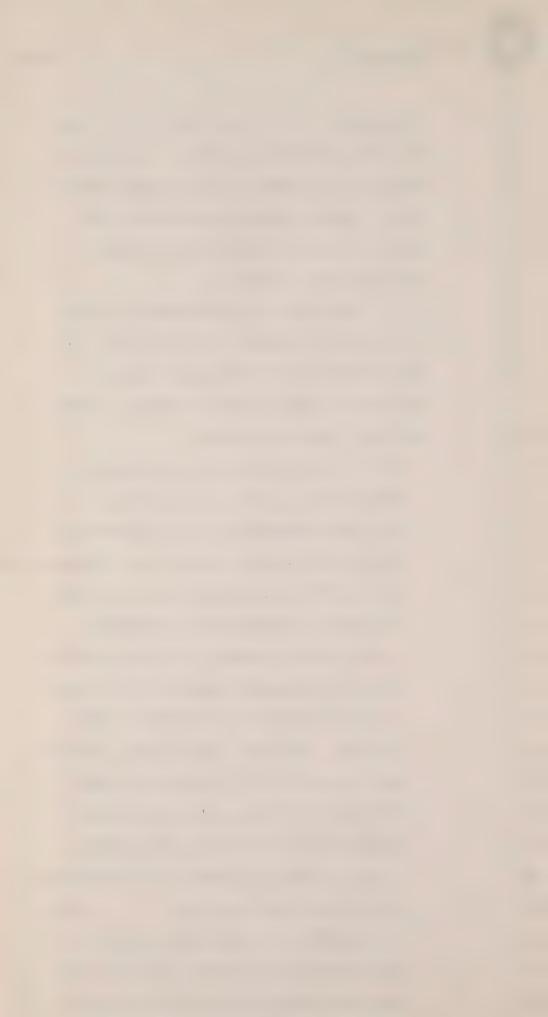
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(Transcript, Vol. 91, pp. 15528-29) if I had any source for this statement. I replied that I did not have my working papers with me, that I thought that the statement had been based on Canadian Pacific data, and that I would be glad to check it.

"The basis for my statement is to be found in the statement of the Hon. Mr. A. G. Blair, Minister of Railways and Canals, reported in Canada, House of Commons, Debates, 1897, pp. 4603-4 as follows:

'As to the probable cost of the road, I may say that, as far as I can learn . . . The only information in the possession of the late Government, and the only information in our possession, has beenobtained from the officers and engineers of the Canadian Pacific Railway Company, or rather has been obtained through the company as the result of surveys which have been made by their officers. We have a very careful statement made by them as to the cost of different sections of the road, and that statement shows that it is expected that, outside of the equipment the road will cost between \$25,000 and \$26,000 per mile . . . Taking it altogether, the information we have is that the cost of the road, taking one mile with the other over the 330 miles, will be



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in the neighbourhood of \$25,000 or \$26,000 per mile.

"Since the proposed subsidy was \$11,000 per mile it was equivalent, on the basis of estimated construction costs of either \$25,000 or \$26,000 per mile, to rather more than 40 per cent of the total estimated cost.

(Sgd) G. E. Britnell,

Yours very truly.

Saskatchewan Economic and Technical Committee on Transportation and Freight Rates."

CROSS-EXAMINATION BY MR. CARTER:

Q. Now, Mr. Roberts, my name, again, is Carter, and I represent, sir, the Government of Saskatchewan.

Now, you have a copy of Exhibit 162 before you, have you not?

A. Yes, sir.

Q. I spent some little time, Mr. Roberts, over the week end struggling with that exhibit. I may say that when I use the word "struggling" I apply no criticism of you or of your material. The struggle was due, no doubt, to my own ignorance, not due to your material.

You could enlighten me on one or two aspects of it. May I direct your attention, first, to the column headed "Revenue at Rates in Effect November 30, 1958". You see that?

A. Yes, sir.

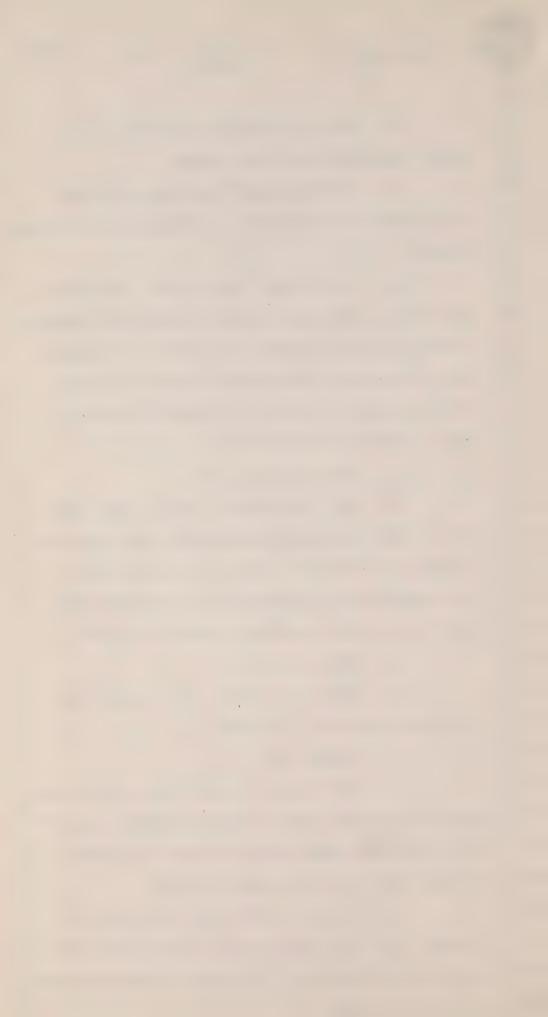


Q. May I ask you how you arrived at the figures shown throughout that column?

A. From the rates which were published

in the tariff as of that date on the particular movements involved.

- Q. Yes. Well, now, so that I may understand that, going to your second column headed "Revenue at Rates In Effect at Time of Movement", the figures that you there set forth are the figures of actual revenue as shown on the waybills submitted in the Waybill Analysis; is that correct?
 - A. That is correct, sir.
- Q. Am I right, then, that you then took each of those individual waybills and took it back, so to speak, to November 30, 1958, and computed what your company would have earned if it had moved that traffic at the rate in effect November 30, 1958?
 - A. That is correct.
- Q. That is, you did -- or, you made each individual computation, did you?
 - A. Correct, sir.
- Q. The figures then set forth in the column headed "Revenue and Rates in Effect November 30, 1958" do not represent actual revenue earned from traffic actually carried as of November 30, 1958?
- A. No, sir. That column represents the revenue -- what the revenue would have been on a like movement on November 30, 1958, prior to the application of the 17% increase.



Q. Yes. And, accordingly, the figures

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do not give actual revenue?

A. Well, it gives actual revenue, sir -Q. That would have been earned?

A. That would have been earned. In other words, Mr. Carter, what we are endeavouring to portray here is the impact of the increase on the movement as shown in the Board's Waybill Study.

Q. Now, in making that computation that, so to speak, you necessarily assumed that this particular item of traffic which you in fact carried in the study year would have been carried as at November 30, 1958, at the same category of rate, if you understand me?

Do you understand me?

A. Well, sir, we checked that to see what the rate was on the particular movement as of November 30, 1958.

You see, the actual movement may have taken place under a competitive rate which was established after December 1, 1958, when the increase was applied to the rate in effect on November 30, 1958.

Q. Just so that I have that clear, if I might interrupt you, you encountered, I take it, then, this sort of situation in preparing this exhibit: you found that on certain of the movements made in the study year -- and, by the way, by the phrase "study year", I mean the year December 1, 1958 to November 30, 1959.

Do you understand me?

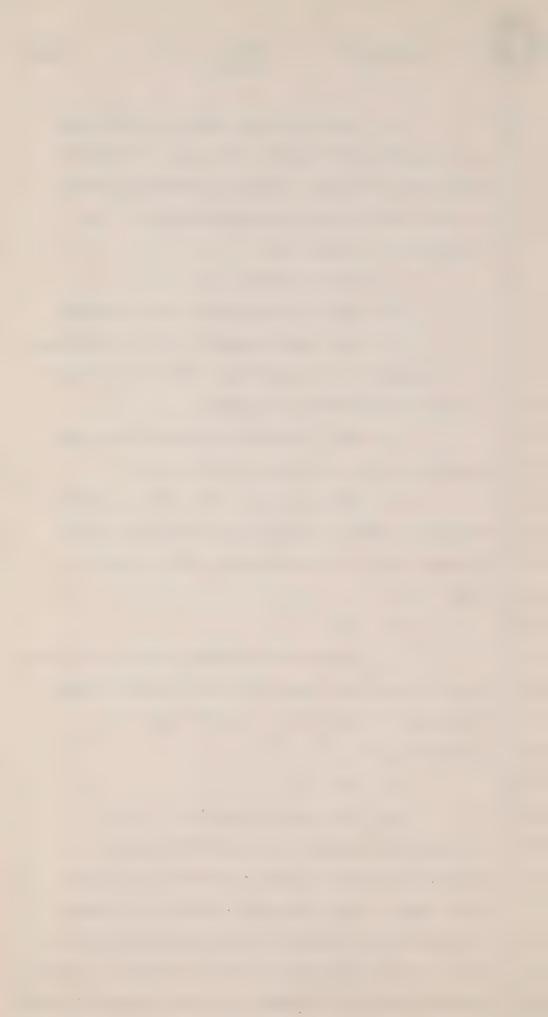
A. Yes.



Q. You found, then, that on at least certain occasions traffic which your company had moved during that study year at, say, a competitive rate, had been carried prior to the commencement of the study year at a normal rate?

- A. That is correct, sir.
- Q. What did you do about that situation?
- A. Well, those movements, sir, are contained in the competitive rated traffic. The rate which was applied on the traffic as it moved.
- Q. Well, you would have applied some old competitive rate -- if I may use that word?
- A. Well, no, sir. The rate in effect on November 30, 1958 -- the only rate available in the railways' tariffs on November 30, 1958 was maybe a normal rate.
 - Q. Yes?
- A. But when the movement actually took place, there may have been competitive factors which brought this about, but the rate which would apply was a competitive rate.
 - Q. Yes.

Well, now, again, excuse me, I haven't followed you. Having encountered that type of situation, then in deriving or securing your figure with respect to that particular movement of freight, the figure going into the fourth column, the column headed "Revenue and Rates in Effect November 30, 1958", revenue from such a shipment would have appeared in your



of rate as a competitive rate?

0.

catgory Traffic at Normal Rates or in your category
Traffic at Competitive Rates?

- A. Competitive rates. If the actual movement took place under a competitive rate.
 - Q. In the study year?
 - A. Yes, sir.
- Q. As I understand you, as of November 30, 1958, there would have been no comparable competitive rate for that particular traffic movement?
 - A. In some instances.

THE CHAIRMAN: Had you adjusted it.

THE WITNESS: Had we adjusted, sir, well then the new rate, of course, would reflect the competitive conditions.

MR. CARTER: Q. Now, by the phrase "normal rates" using your first category in this exhibit, I take it you mean class rates and mileage commodity rates; do you?

- A. Class rates and any normal commodity rates, be they mileage or specific.
- Q. I had understood from, I think, something you may have said or something somebody said, that a specific commodity rate, in the setting of it an element of competition of some sort was taken into account.

 Is that so?
- A. In some instances, but they are not so marked.

And you do not characterize that type



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- A. The competitive rate, as designated in the railway's tariffs as competitive rates, sir, are to meet carrier competition.
 - Q. And are marked as such?
 - A. Yes, they are marked as such.
 - Q. You did not, as I understand you, then, in Exhibit 162, include specific commodity rates in the category entitled "Traffic at Competitive Rates"?
 - A. Normal specific rates are all under the normal rate heading.
 - Q. Now, following the authorized 17% increase, your company, I suppose, immediately increased all class rates by the full 17%, did it?

A. Yes.

- Q. Were all the mileage commodity rates increased by the full amount of the authorized increase?
 - A. Yes, sir.
- Q. Were all of the specific commodity rates similarly increased?
 - A. Yes, sir.
- Q. I may say the answer to this is very simple, but perhaps you can assist me.

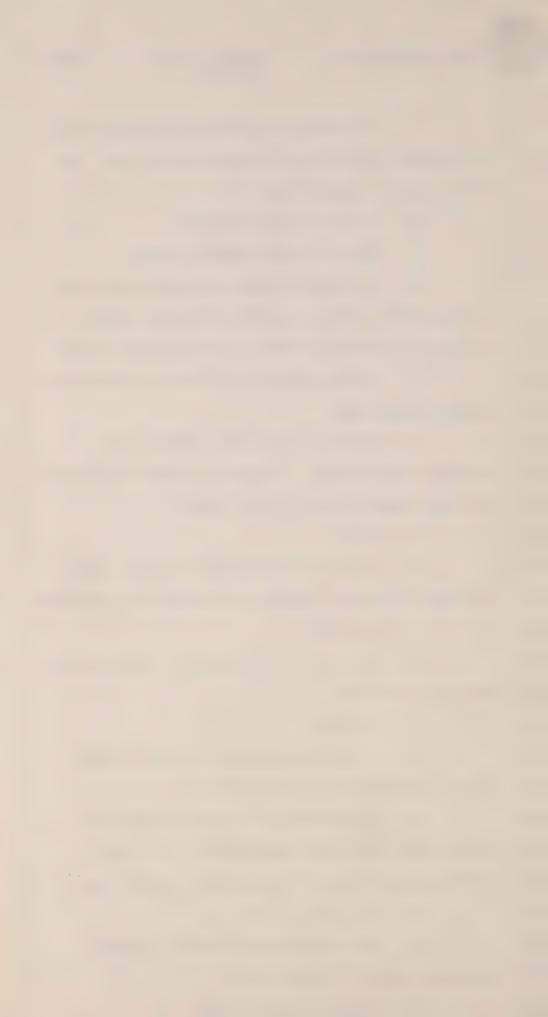
As I understand you in your category in

Exhibit 162 "Traffic at Normal Rates", you cover

traffic moved, first, at class rates; is that right?

A. Yes, sir.

- Q. You cover traffic moved at mileage commodity rates? Is that right?
 - A. That is correct, sir.



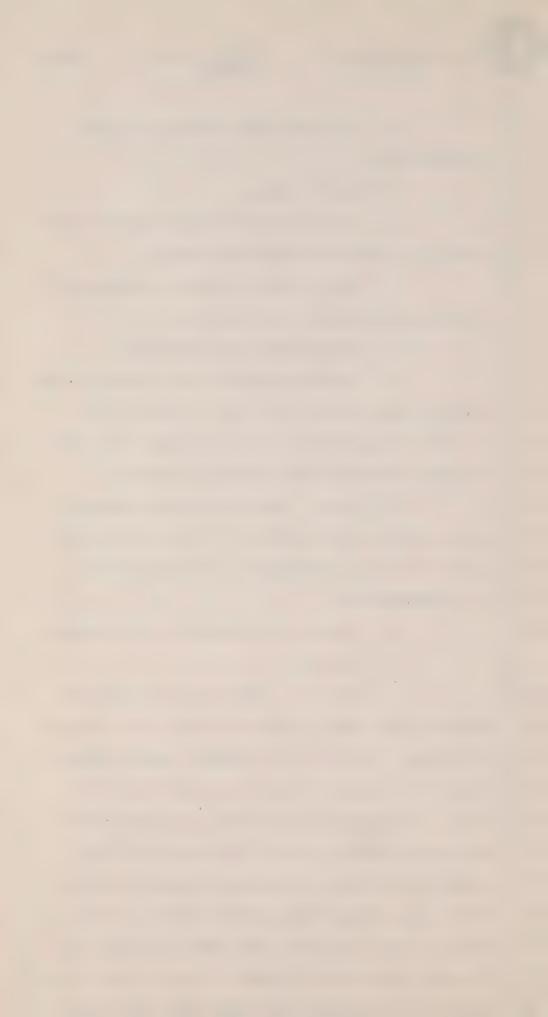
Q. You cover traffic moved at specific

commodity rates?

A. That is correct.

Q. And you do not cover or include traffic moved on any other rate than those three?

- A. Well, no, but if you are wondering why they should not all be 17 per cent ---
 - Q. You anticipated me correctly.
- A. The reason for that, Mr. Carter, is that there are coal movements in there on which a flat increase was applied, but they were normal coal rates and they were kept in that category of traffic.
- Q. I see. Where would that movement be in the various subcategories, if I may call them that, under the heading "Territory"? Where would this coal movement fall?
 - A. They are in practically every movement.
 - Q. Are they?
- A. Yes, sir. There is coal within the maritimes; maritimes to Ontario-Quebec, within Ontario and Quebec. Now, the one exception there is Ontario Quebec to the west. There is a mixed shipment in there. All the revenue was taken, although some of the traffic did not move at normal rates, but the revenue for the car as a whole was included in this. That is the reason for the slight difference there. There was coal within the west; there was coke from the west to Ontario and Quebec. And, of course, that would be petroleum coke from Moose Jaw, Saskatchewan.





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Q. I have	heard	of	it	thank	you
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- A. And, then -- I guess that is the only one. That is the last one.
- Q. Then, you say, sir, in any event that is the only reason why the percentage figures given in the column headed "Percentage Increase in Revenue" in that first category do not read in each case 17?
- A. That is right. That is, with this one addition, that from the west to Ontario and Quebec a reduced normal basis of rates was subsequently established on liquefied petroleum gas.
- Q. But I understand you initially saw the full increase applied on that?
 - A. That is right.
 - Q. As at December 1, 1958?
 - Α. Yes.
 - Q. The full increase was applied?
 - That is correct. Α.
- On that particular movement, does the shipper or shippers involved secure the benefit of the subsidy payable under the Freight Rates Reduction Act?
 - A. Yes, it is a normal rate, sir.
- Q. Having that in mind, that brings me to the next point.

Have you allowed in Exhibit 162 for the effect of the subsidy payable under that statute?

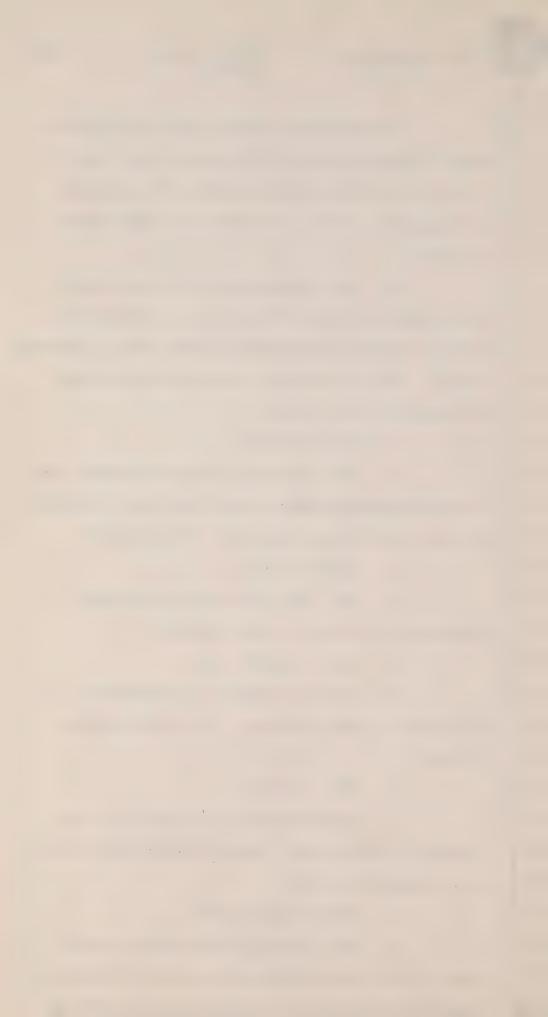
A. We brought all rates up to their full level to represent the charges received in the final analysis by the railways.



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In other words, the roll back is included in this, the bridge subsidy is included in this; and, on traffic from the maritimes and within the maritimes, we brought the revenue up to what the normal revenue would be.

- Q. Well, dealing just for a moment with
 the Freight Rates Reduction Act, as I understand that
 statute, briefly it boiled down to this; that, commencing
 August 1, 1959, I believe, -- to begin with that was
 the day it came into effect?
 - A. That is correct.
- Q. And just at that point, the statute and the subsidy payable under it would have been, in effect for one-third of your study year? Four months?
 - A. That is correct.
- Q. Now, under that statute there was essentially a roll back in the increase?
 - A. That is correct, sir.
- Q. And it applied, as I understand it, to any class or normal commodity. Is that the phrase you use?
 - A. That is correct.
- Q. It would apply to any class or normal commodity rate which had experienced the full increase as at December 1, 1958?
 - A. That is correct, sir.
- Q. Yes. So that, just so that I have it clear, if you had a shipper who prior to the increase was moving his traffic at a normal commodity rate and



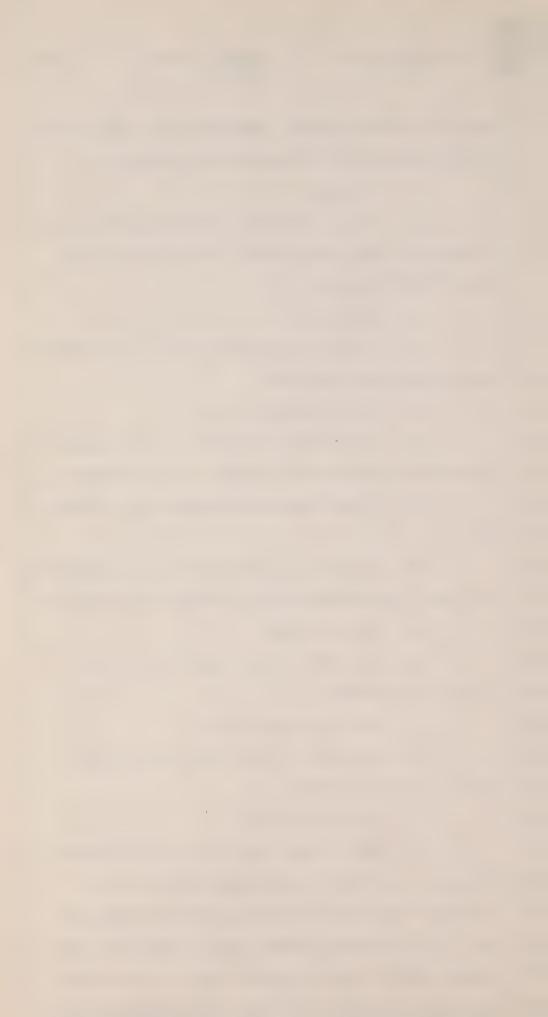
A. Correct.

A. Yes. And after the subside which we are

paying \$1, we will assume, immediately upon the increase

- Q. Yes. And after the subsidy which we are talking about came into effect, that rate would have rolled back to \$1.10?
 - A. Correct.
- Q. It later went back to \$1.08, but I think that is past your study year?
 - A. That is correct, sir.
- Q. Coming back, if we may, to this shipment you mentioned, the nature of which I have forgotten --
- A. It was liquefied petroleum gas from the west.
- Q. This was a product which, as at December 1, 1958, was moving at some normal commodity rate; was it?
 - A. That is right.
- Q. And that rate was subject to the full 17 per cent increase?
 - A. That is correct, sir.
- Q. And later it was rolled back to \$1.10?

 The rate would have been?
 - A. That is correct.
- Q. Well, now, I am afraid I did not understand you. As I got it, you suggested that this movement of liquefied petroleum gas in some manner did not in the end result receive the full benefit of the subsidy payable under the statute since it was moving at a normal commodity rate which was increased by the



full 17 per cent?

Q. I do not understand why it was not the

A. It was and is.

beneficiary of the full effect of the subsidy?

A. That is right.





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Q. Well then how, again, does that shipment result in part in the fact that your percentage figures given under the column headed "Percentage Increase in Revenue" in the category entitled "Traffic at normal rates", are not in each case 17?

A. Well, for the reason that, as I said, a revised normal basis of rates was arrived at on liquified petroleum gas.

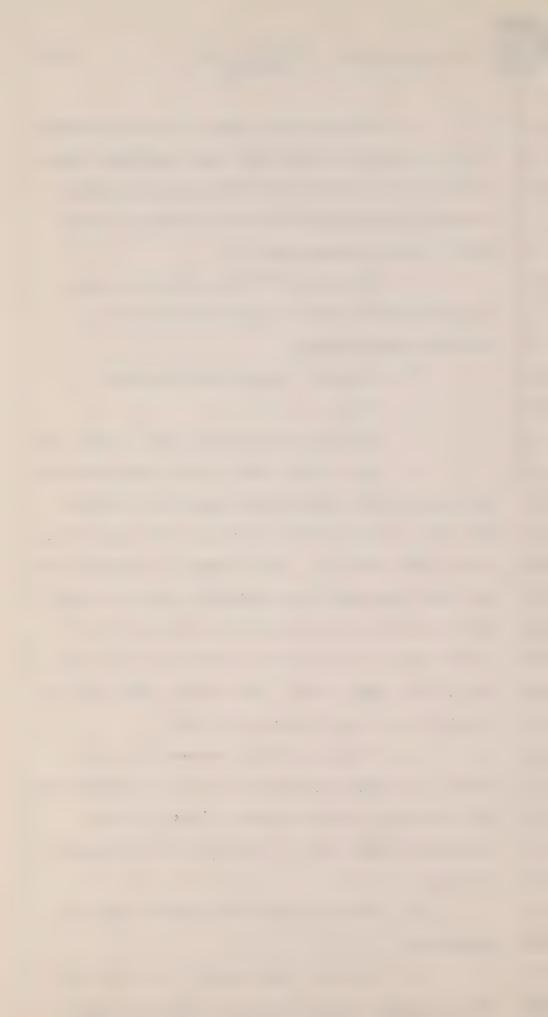
- Q. Sometime during the study year?
- A. Yes.
- Q. Was this a competitive rate of some sort?
- A. No, I said normal, this is applicable to anybody who ships liquified petroleum gas in Canada.

 Now, the rate prior to the revision in the normal basis, as you said, was \$1.17. For the sake of comparison the new normal basis may have resulted in a rate of \$1.10.

 Now, the traffic moves at \$1.10 and because it is a normal basis it received the benefit of the roll back.

 This is less than the rate that was in effect prior to December 1st or as at November 30, 1958.
- Q. Thank you. As I understand it, Mr.

 Roberts, following any general increase in freight rates
 you anticipate a certain amount of what is termed
 erosion in or attrition to the traffic your company is
 carrying?
- A. That is right, sir, that has been our experience.
- Q. And as I understand it in working out the percentage increases which you propose to apply



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increased by the full amount of the 17%?

A. Yes, sir.

A. We give weight to those factors, yes.

Q. And following any authorized increases

Q. Many of them, if not most, would

All of the mileage commodities?

Q. They invariably go up by the full amount

following any authorized increase go up in any event,

A. All of them, sir.

They are increased, sir -- not invariably,

17% increase that all mileage commodity rates were

are all of the mileage commodity rates invariably

increased by the full amount of the authorized

You told me a moment ago that after the

for you allow for those factors.

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percentage?

I take it.

they are increased.

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A. All of the mileage commodity rates and scales, yes.

Q.

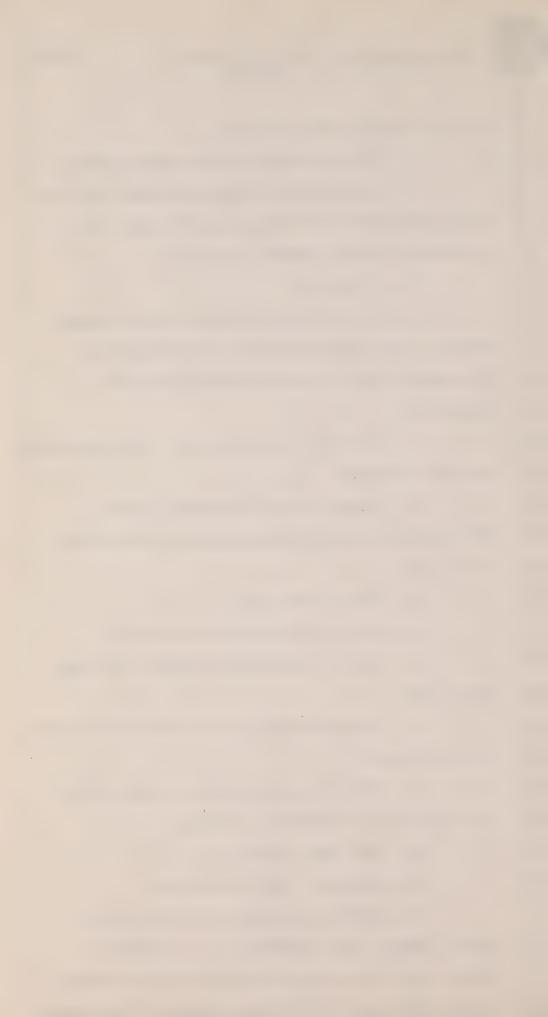
of the increase?

A. Well, sir, we apply it to them. They do go up, but not invariably -- always.

Q. All right, thank you.

MR. SINCLAIR: Not in variation.

MR. CARTER: Q. Thank you. Now, whether
this is general, as I understand it, it commonly
happens that your company finds that at least certain
of the traffic will, to use your phrase, no longer move

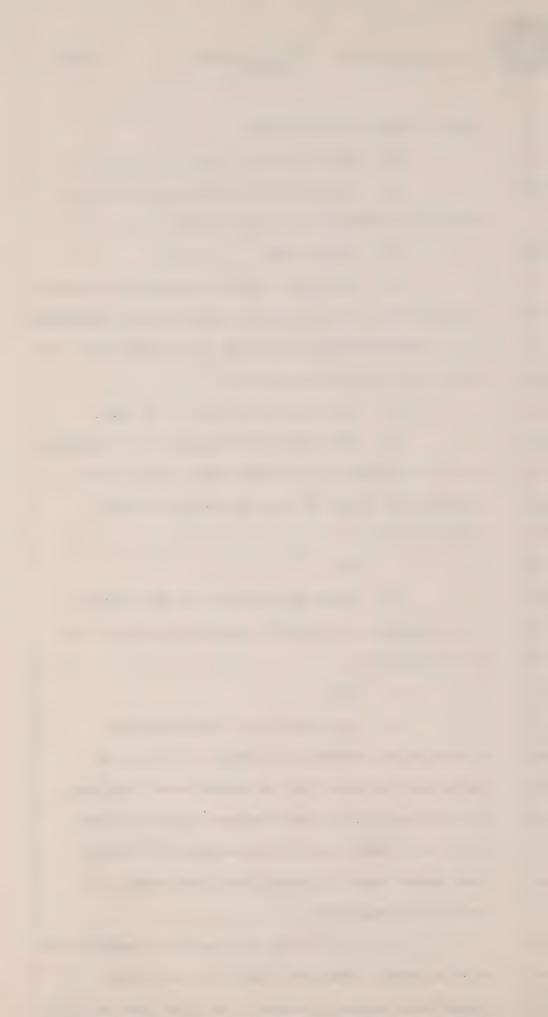


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freely at the increased rate.

- A. That is correct, sir.
- Q. Because it has eroded away or it is subject to attrition from competition?
 - A. Competition.
- Q. And where that has occurred it commonly happens that your company will publish, as I understand it, a competitive rate at which your company hopes the traffic will again move freely?
 - A. That is correct, sir -- by rail.
- Q. Now, where that happens, I am thinking here of a commodity or freight which prior to the increase was moving at a normal rate -- do you understand me?
 - A. Yes.
- Q. After the increase for the reasons I have suggested it moves at a competitive rate -- do you understand?
 - A. Yes.
- Q. And, again as I understand the situation this movement of traffic following an wauthorized increase from the normal rated category. to the competitive rated category is fairly common. There is a fairly significant movement of traffic from normal rates to competitive rates during this period of readjustment.
- A. Well, there is a period of readjustment both in normal commodity rates but also in the competitive commodity rates to which we have applied





the full increase.

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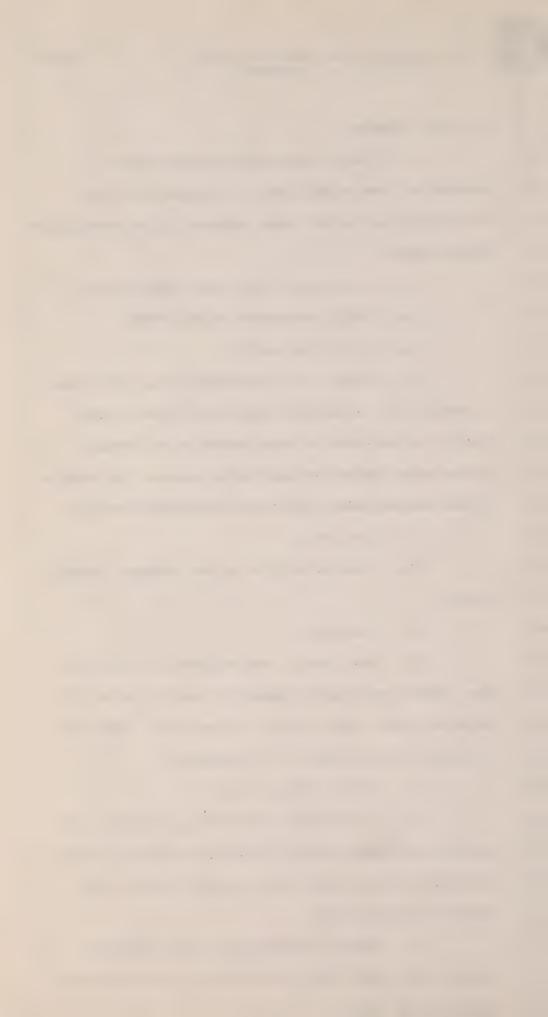
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- Q. But in particular there would be a movement of some significance, I suppose, in this period from the normal rated category to the competitive rated category.
 - I would not say "some significance".
 - Well, a movement in any event.
 - A. Yes, a movement.
- Q. Again, as I understand you, coming back to exhibit 162, a pretty significant volume of the traffic on the basis of which these actual revenue figures were arrived at would have received the benefit of the subsidy under the Freight Rate Reduction Act?
 - Yes, sir,
- 0.0 This is traffic in the category "normal rated"?
 - Yes, sir. A.
- Q. And, again, the shippers involved on that traffic would only themselves have to pay a 10% increase rather than the full 17% increase. This was the effect to the shipper of the subsidy?
 - That is right, sir.
- We have had a tendency, I suppose, to ensure that such a shipper's traffic continue to flow freely at a normal rate that it would have had that tendency, would it not?
- A. Maybe if it had gone into effect on December 1st, 1958, but it did not go into effect until August 1st of 1959.





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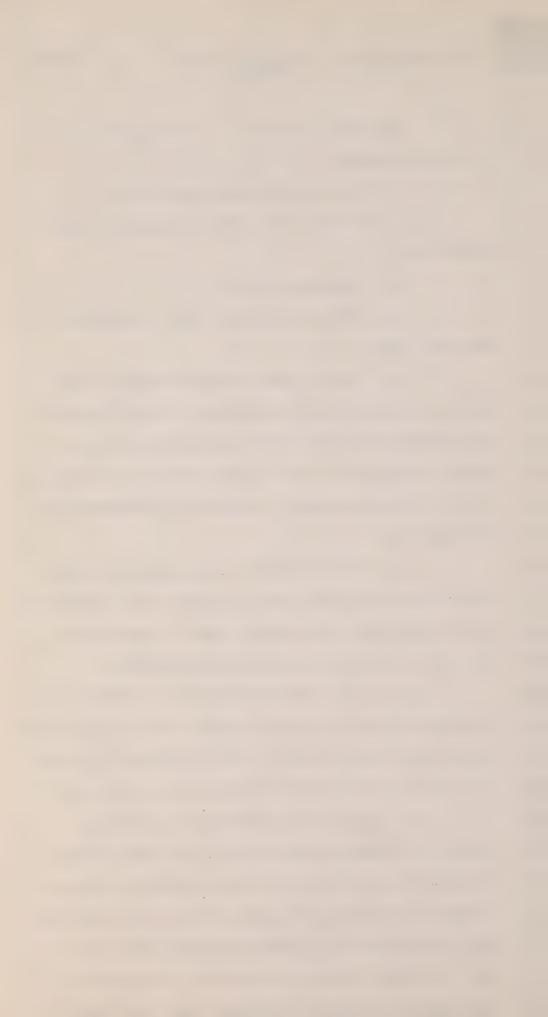
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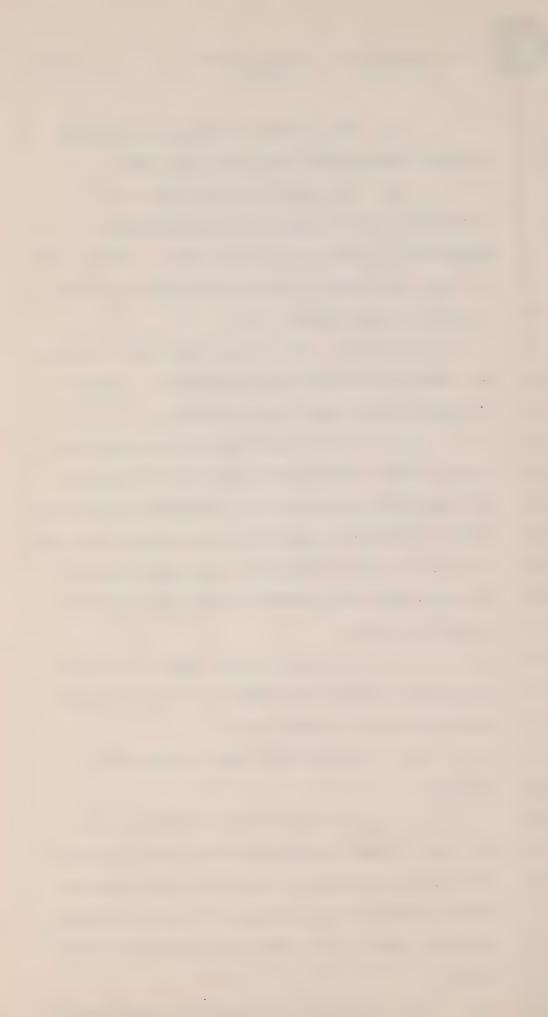
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- Q. Well, it was in effect for one-thid of the study year?
 - Oh, yes, the study year -- no ---
- It came into effect on August 1, 1959. did it not?
 - August 1st. 1959.
- Q. And your study was ended at the end of November, 1959?
- A. That is right but the movement in the rates was taking place from December 1st to August 1st. The movement of traffic and the competitive factors which influenced the level of the rates was in effect without the hold-back for the period from December 1st to August 1st.
- Q. Yes, all right. I can agree with you that if the subsidy had come into effect at the beginning of the study year this tendency which I suggest would have been a much more significant one, perhaps.
- A. Well, I would say there would have been a different result. Probably traffic that we were able to retain 10% of the increase on. Well, that traffic would not have been affected had the increase been only 10%.
- Q. Yes. As I understand the situation which is not to any marked extent, may I say, but as I understand the situation the whole situation in relation to the way of setting your rates, fixing your rates and arriving at them is a constantly changing one, is it not? The whole situation out of which you arrive at your rates is in state of continual flux, is it not?



- A. Well, traffic is moving and different movements taking place every day of the year.
- Q. Yes, quite. But, the force of competition, as an example, as a factor in rate making will, in any twelve month period I suppose shift and vary from types of traffic, shift and vary within areas and between areas.
- A. Well, I do not know that there has been any significant shift in the competition. I say we have competition facing us all the time.
- Q. Well, in any event, coming back to the effect of the Freight Rate Reduction Act would you not agree even allowing for the fact that it came into effect in the latter one-third of your study year, that it would have had a tendency to keep traffic moving at normal rates which otherwise might have gone to competitive rates.
- A. I think by the time August 1st rolled around the situation with respect to normal rates had pretty well settled itself down.
- Q. So you think it would have no such tendency?
- A. It may have been of assistance but, as I say, we had this period of eight months where the 17% increase was on and it would be my view that the forces of competition in respect of the 17% increase, the actual impact of it, would take place during that period.
 - Q. Well now, to complete this point, as I





A. Well, it was 15.3 insofar as percentage increase in revenue from normal rated traffic, it was 15.3% and the percentage increase in

understand you you do not feel that the subsidy under the Freight Rate Reduction Act would have had the effect of building up the revenue in the category of traffic at normal rates where, without the subsidy the traffic might have gone to competitive rates and built-up the revenue earned through those rates rather than from the former category?

A. Well, I think if the trucks went after

-- wished to carry certain traffic, Mr. Carter, that

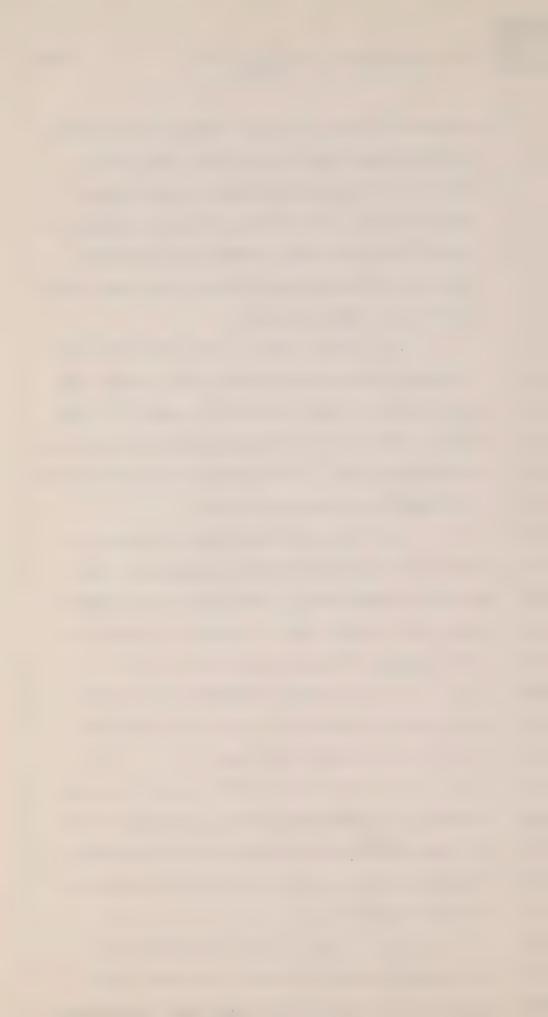
was attractive to them they would go after it at the

level of 110% or 117% which would depend on what their

circumstances were. If the traffic had fallen off they

would begin to scratch a little bit.

- Q. Now, as I understand your exhibit it shows that both percentagewise and absolutely you were able to apply more of the authorized increase to normal rated traffic than to competitive traffic or agreed charges. This is obvious, is it not?
- A. The revenue return from the normal rated traffic is greater than from the competitive traffic in terms of dollars, yes.
- Q. And in terms of the application of the increase your company was able to apply more of it to the normal rated traffic than to competitive traffic or agreed charges. Do I read the exhibit correctly in suggesting that?





ANGUS, STONEHOUSE & CO. LTD. Roberts. cr.ex. (Carter)

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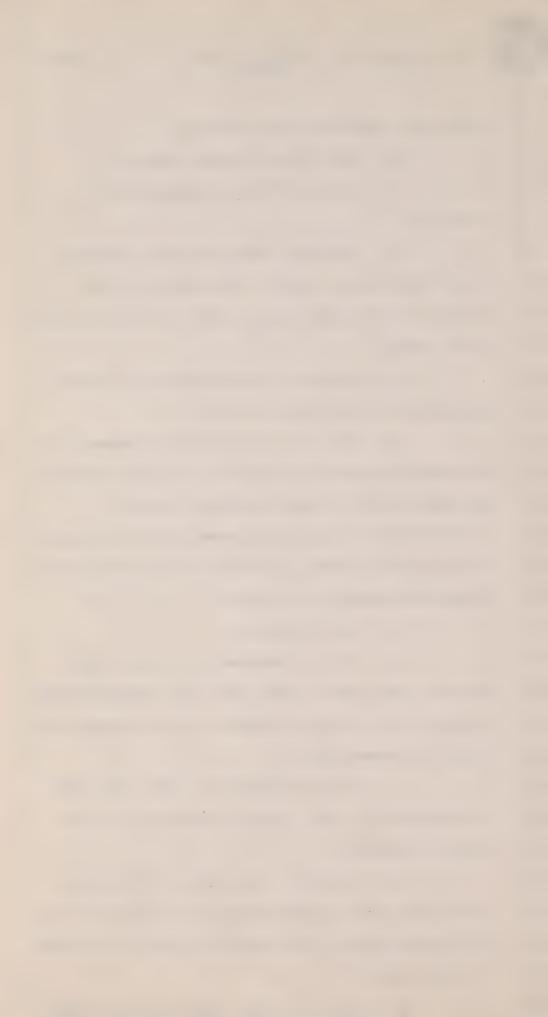
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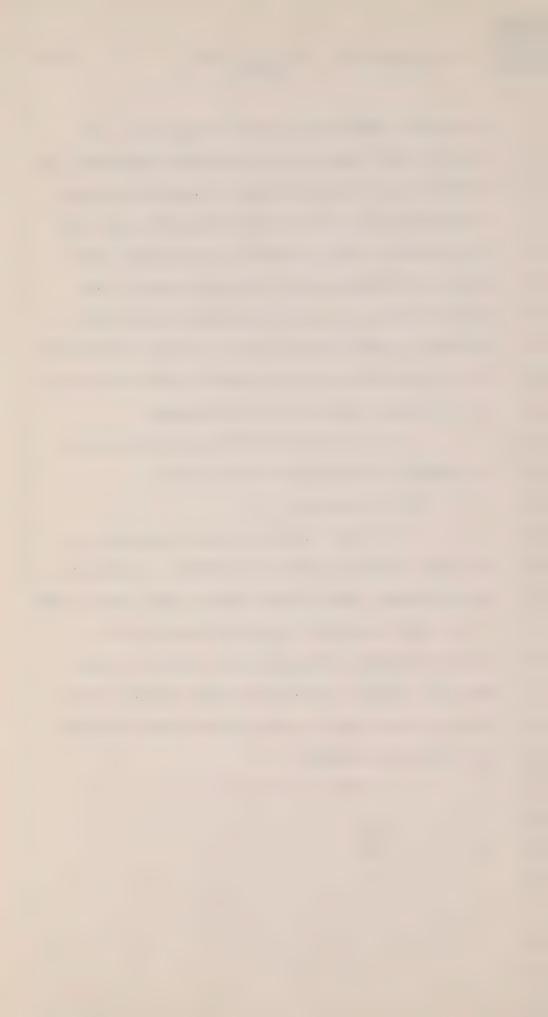
revenue at competitive rates was 10%,

- Q., And nothing on agreed charges?
- Nothing on agreed charges in this study, no.
- And as you have just said, the exhibit shows that the major part of the increase in your company's revenue came from increases applied to normal rated traffic.
- A. In terms of dollars but not in terms percentagewise as I gave them to you.
- Well, I am concerned at the moment with Q. the absolute figures as you put it in terms of dollars and specifically the total increased revenue of \$176,882,54 which your sample shows having been earned following the increase. Of that total \$117.946.56 was earned from normal rated traffic.
 - That is correct. A.
- Q. Now, as I compute it on those figures then you got, as far as your sample is concerned, 66.68% of your total increase in revenue from the increase in traffic at normal rates?
- A. 117 in relation to the 176, that would be approximately right. That is applicable all over Canada, of course.
- Q. Oh, quite. Now, this is, of course a sample study but as I understand your evidence you feel that certain general conclusions can validly been drawn from the sample?
 - This is so, sir. The conclusion I draw



from this is that within Ontario and Quebec -- go down into the summary -- within Ontario and Quebec the contribution from the increase by Ontario and Quebec represented 36.5%. The contribution within the West represented -- this is traffic moving within these areas -- the contribution within the West was 36%. This indicates to me that in Eastern Canada we are obtaining a goodly share of the increased revenue from the increase and we are from Western Canada too but it is not falling heavily on any one section.

- Q. Now, those are the conclusions which you suggest can be drawn from the sample?
 - A. Yes. sir.
- Q. May I ask you if this conclusion, in the light of what we have just covered, can also be validly drawn. Can one say from your study that 66.68% of the total increase in revenue secured by your company throughout the whole year, not just on the basis of a sample, following the last increase came from increased rates on normal rated traffic than on non-competitive traffic?
 - A. That is correct, sir.



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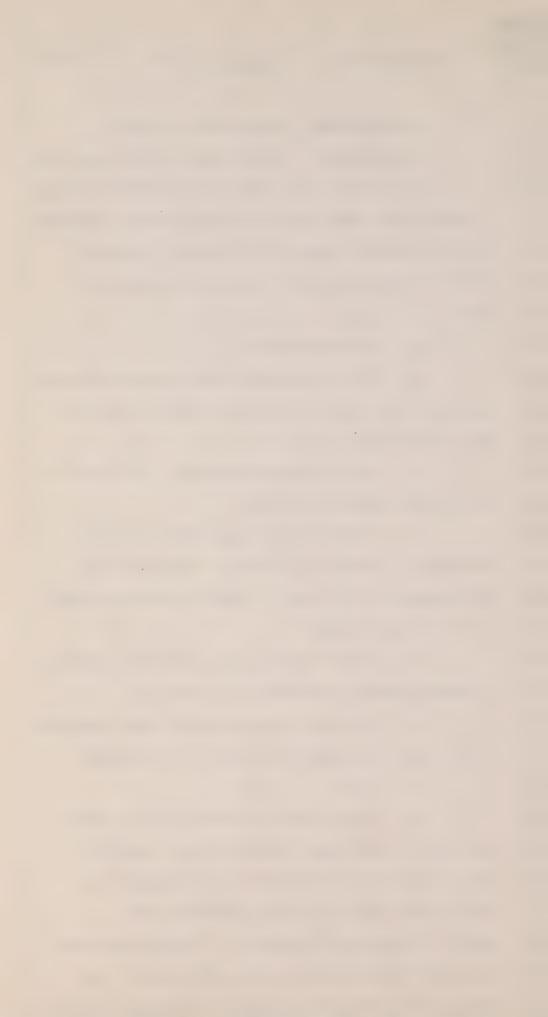
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THE CHAIRMAN: Whether east or west?

THE WITNESS: Whether east or west, yes, sir.

MR. CARTER: Q. My learned friend Mr. Cooper, I think it was, asked you one or two questions yesterday having to do with long haul -- at least, you were invited to define what was a long haul shipment, I think?

- A . That is correct.
- Q. And I understand there was some question. perhaps, in the minds of a railroad man as to what is long haul and what is not?
- No: it is hard to define. You have to look at the commodity involved.
- Well, let us not get into a semantic discussion. I will ask you this: a shipment from Ontario-Quebec to the west, I take it, you would agree is a long haul movement?
- It is long haul, but likewise a shipment of crude gypsum for 200 miles is a long haul.
- This particular movement I have suggested to you, you would agree, in itself, is a long haul?
 - A. Yes.
- Coming back to Exhibit 162, in terms of the value of the freight carried by your company -that is, the revenue received -- and looking at the normal rated traffic and the competitive rated traffic -- those two categories -- from that point of view more freight moved on normal rates than at competitive rates from Ontario Quebec to the west, did it



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That is correct.

- not? I refer to lines 6 and 16?
 - That is correct, revenuewise, yes. Α.
- Does that indicate anything as far as tonnage is concerned ?
 - Well, I don't follow you, sir.
- Q. Could one suggest that since, revenuewise. this is the situation that more freight moved over this long haul at normal rates than did at competitive rates. can one conclude from that that a greater number of tons of freight was moved over that haul at the normal rates?
- I would think that would be a fair conclusion, that there were more tons at normal rates than at competitive rates.
- Q. Looking again at this same exhibit and at the revenue picture shown in it, may I refer you again to those same lines, 6 and 16; do you see those?
 - Α. Yes.
- And those lines again refer to this long Q. haul movement, do they not?
 - A. Yes, sir.
 - Ontario-Quebec to the west? Q.
 - Α. Yes.
- Q. Now, the exhibit shows under the column headed "Increase in Revenue" that from the traffic moved over that haul at normal rates your company earned an increase of \$23,621-odd; that is shown there, isn't it?



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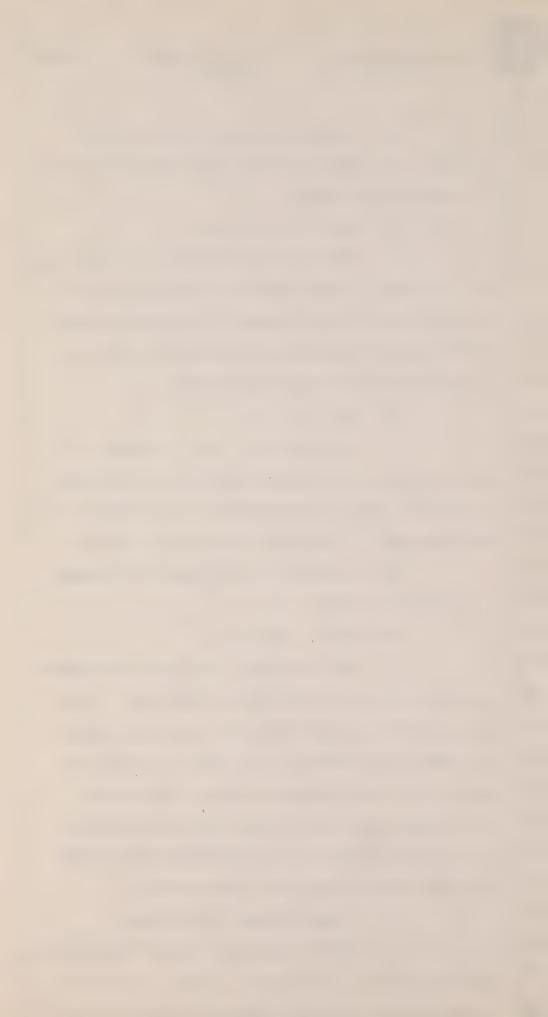
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- Q. Whereas from traffic moved over the same haul at competitive rates your company earned an increase of \$5.171-odd?
 - That is correct, sir.
- Now, the total of those two figures would be, of course, on your sample the total increase in revenue secured by your company following the 17 per cent increase from traffic moving over that haul at normal rates and at competitive rates?
 - Α. Yes, sir.
- As I compute it, sir, the portion of that traffic moved at normal rates made up 82.04 per cent of the total increase earned by your company from that movement. I think my computation is correct.

MR. SINCLAIR: We will accept the computation subject to check.

MR. CARTER: Thank you.

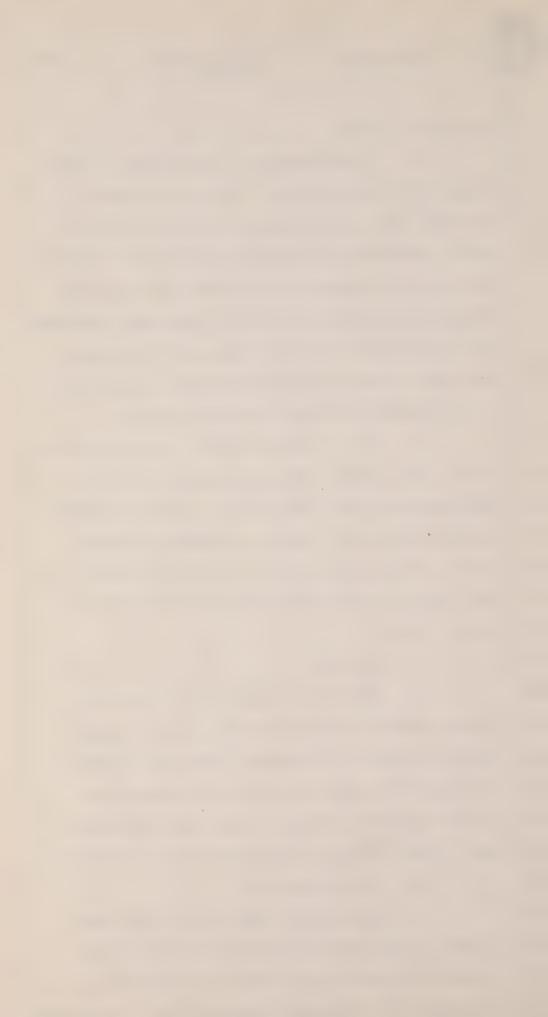
- From that again, I am wondering whether another general conclusion may be drawn, sir. Can you say that throughout the entire study year again -not merely on the basis of the sample -- can you say that of the total increased revenue as secured by your company from traffic moved from Ontario-Quebec to the west at normal and at competitive rates 82.04 per cent came from the normal rated traffic?
 - We would accept the percentage.
- Yes, but one can go further than accepting the accuracy of my computation, can one, and draw that general conclusion which I have suggested to you, if I



have made it clear?

- A. I would say yes, but you must, if I may suggest here, Mr. Carter, as I said to Mr. Mauro at noon today, the figures reflect the revenue for the service performed and in evaluating this, as I said to Mr. Mauro, the revenue paid for each unit of service within the west and from the east to the west and within the east plus from the west to the east, the figures show that a revenue of \$1 was earned for approximately the same amount of revenue ton miles of service.
- Q. Yes. One last point, if I may, on this exhibit, sir. May I refer you to lines 7 and 17.

 These show under the column headed "Increase in Revenue", opposite those lines, the total increase in revenue earned by traffic moved within the west at normal rates and by traffic moved within the west at competitive rates?
 - A. Yes, sir.
- Q. Again, as I compute it, of the total increase earned on your sample study by your company from that movement of traffic at those rates, normal and competitive, 73.91 per cent of the increase was provided by traffic moving at normal rates within the west? Again I think here my computation is correct.
 - A. I would accept it.
- Q. Again here, I take it, one could draw a further general conclusion from your exhibit that throughout the entire year, again quite apart from a mere sample, that throughout the entire year, of the total



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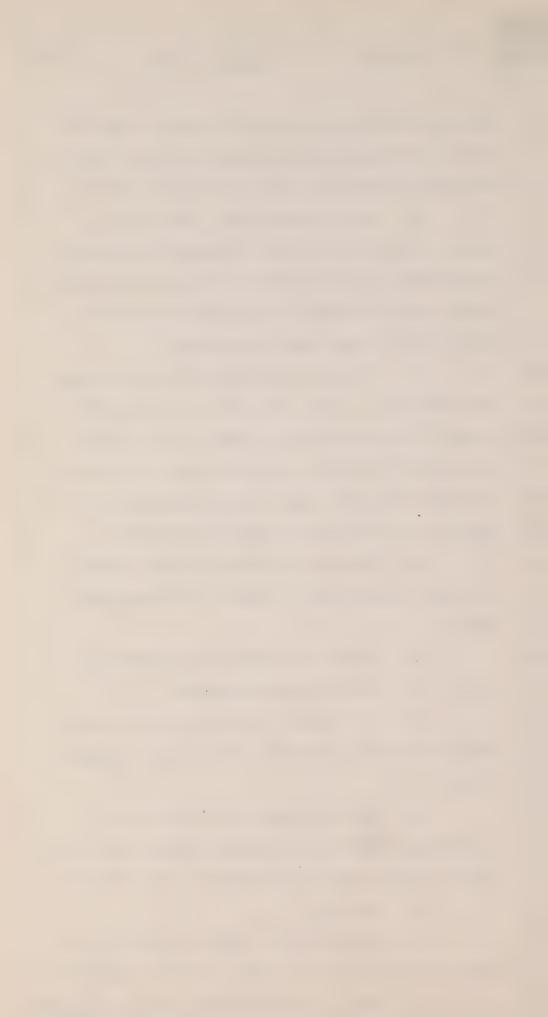
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increase in revenue earned by your company within the west at normal rates and at competitive rates, 73.91 per cent was earned from the normal rated traffic?

- A. Well, statistically, yes; but, Mr. Carter, I think you will have to examine the type of traffic that is moving within the west at normal rates, and the amount of traffic and the service performed for each of the items that you mentioned.
- Q. You say that statistically one can draw this conclusion. Again, sir, the conclusions which you drew in your evidence, as they are set forth in your precis of evidence, as I understand it, you did not suggest that they were merely statistical conclusions, but conclusions of general validity?
- They show the amount of the increase paid on particular types of traffic within different areas.
- Is this conclusion I am suggesting to Q. you not one of similar general validity?
- A. But in actual amounts you would have to examine the service performed; that is all I am saying to you.
- One last question on Exhibit 162: in line 18 you refer to a movement at competitive rates from the west to Ontario-Quebec; do you see that line?
 - Α. Yes, sir.
- Can you give me some idea of what that Q. traffic is made up of, or is this too vast a question?
 - Well, I would say there would be livestock





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in there -- I am sorry, I don't have the detailed figures with me.

- Very well. Could you tell me this. Mr. Roberts: where did that traffic originate -- and in representing the client I do I am particularly interested in knowing whether any part of it originated in Saskatchewan?
- A. I am sure some of it did. I am quite sure some of it did.
- Q. Would it be too stupendous a task to find out for me the percentage of the traffic which originated in Saskatchewan and from which you earned altogether the revenue figure you show on Exhibit 162?

MR. SINCLAIR: I wonder, Mr. Chairman, if my friend would be satisfied if we would give him a few movements rather than going into each of the myriad of waybill cardsinvolved behind this exhibit?

MR. SINCLAIR: What you want is a number of different types of movement of different commodities? MR. CARTER: That is right.

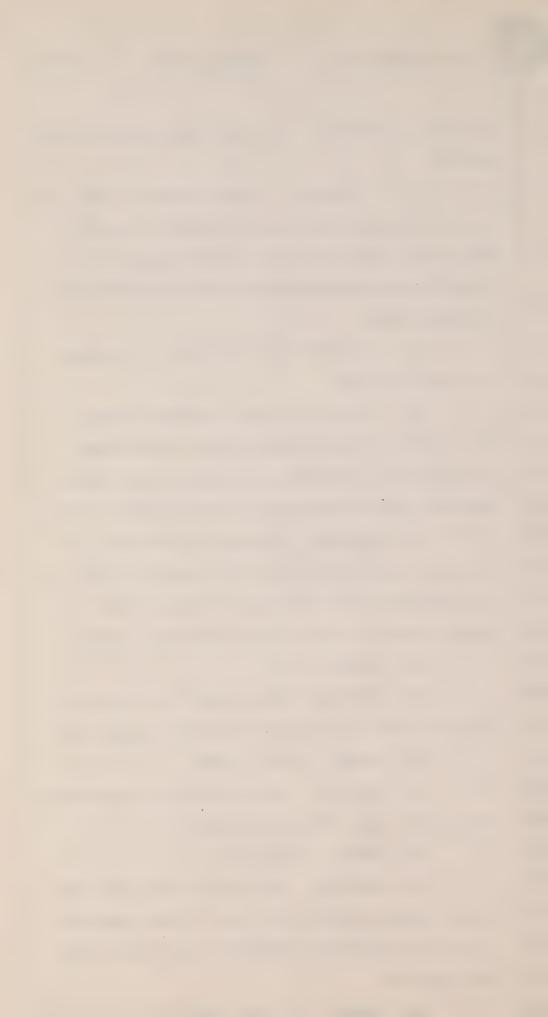
MR. SINCLAIR: Well, we will go through them for you and I will write to my friend.

MR. CARTER: Thank you.

MR. CARTER: Yes.

MR. SINCLAIR: I may say, Mr. Chairman, this is done largely manually and it has not been machined. If it had been done on a machine we could have lifted the figures out.

MR. CARTER: Q. May I refer you to page 7 of



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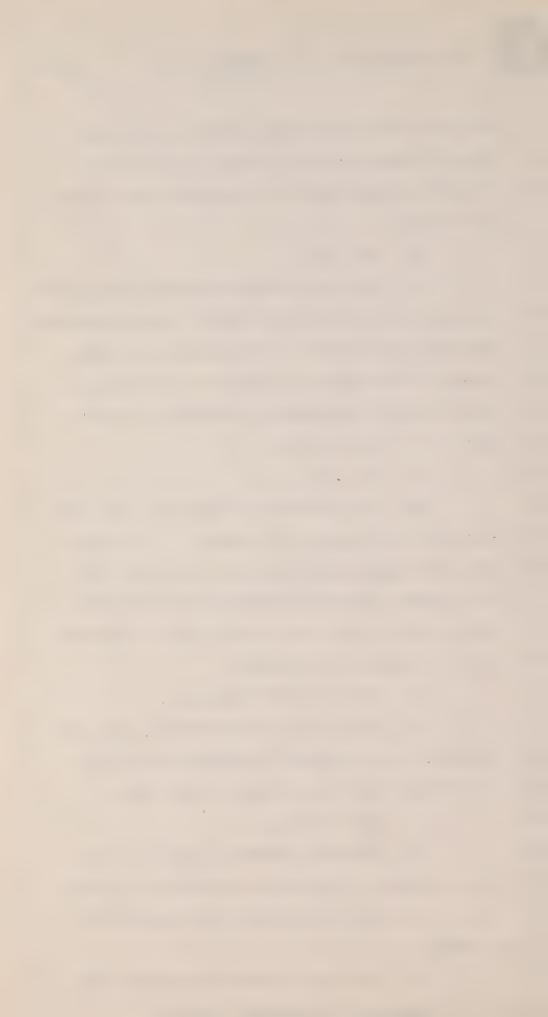
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Well, under certain circumstances this

- your brief, which is becoming rather a famous page. You set out there certain principles which in your company's view any method of increasing freight rates must satisfy?
 - Α. Yes, sir.

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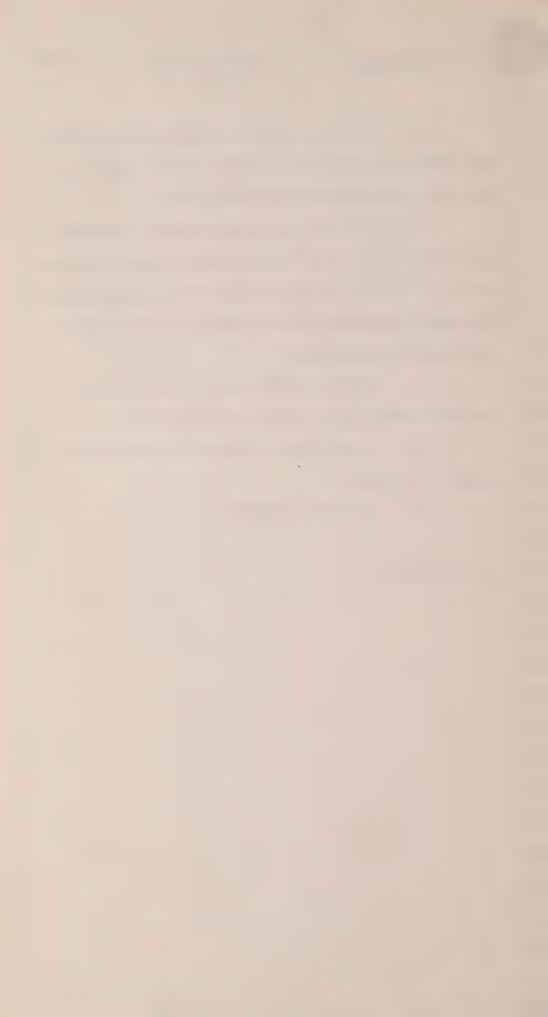
- Q. . And one of those principles is this, that the method must be fair to the shipper and railways alike Underneath that statement of that principle you say. at page 7, "For shippers it must not be an attempt to offset economic or geographic advantages or disadvantages." Do you see that?
 - Α. Yes, sir.
- I am concerned for the moment just with geographic disadvantages, Mr. Roberts. As I understand your company's position it is this: that, in effect, where a geographic disadvantage exists that that is a fact of life and it should not be interfered with in any method of rate change?
 - Not in transportation, sir.
- Yes, as far as transportation rates are concerned, that a geographic disadvantage should not be interfered with in any method of rate change?
 - That is right. Α.
- I suppose distance to market or from source of supply is a geographic disadvantage, is it?
- Well, it depends on the circumstances, Mr. Carter.
- can be a geographic disadvantage, I take it?



	Α.	If he	is sellin	ng a comme	odity	in a r	narket
that	there is	a deman	d for in	that mar	ket I	don't	see
what	the geogr	aphic d	1sadvanta	ge would	be.		

- Q. As I understand your answer, would you agree that at least under certain droumstances, whatever they may be for the moment, under certain circumstances distance from market or from source of supply can be a geographic disadvantage?
- A. Well, the more service performed, it costs more money for whatever he is shipping.
- Q. So the fact of distance can be a geographic disadvantage?
 - A. Yes, that is right.

---Adjournment.



ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELDONG

OTTAWA

VOLUME No.

DATE

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26 Oct 1960

OFFICIAL REPORTERS

ANGUS, STONEHOUSE & CO., LITT.

372 BAY STREET

TORON D

EM. 4-7383 TO F. CO. N. V. EM. 4-5865

ERRATA

Volume 108

Page Line

"may overgome" should read "may not

ERRATA

Vol. 108, page 18050, line 28: delete "non-peak" substitute "known big"

page 18053, line 3: delete "any" Substitut Substitute "in"

page 18055, line 19: delete "he" substitute "you"

18046 23

"rate traffic," should read "grain Traffic."

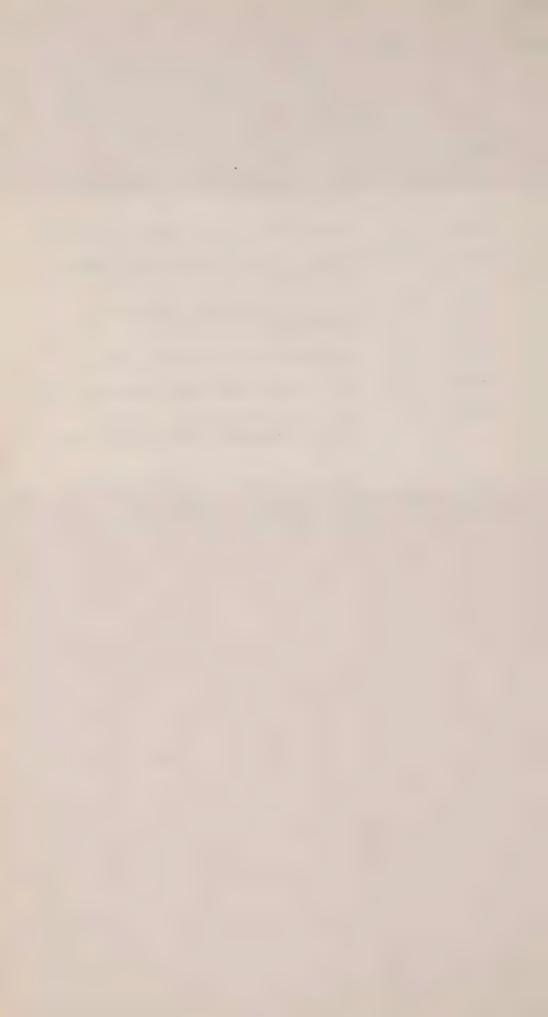


Traffic."

ERRATA Volume 108 Page Line "may overgome" should read "may not overcome". "comparative" should read "competitive". "rates that meet" should read "rates that do not meet". Eliminate "through North Portal, Saskatchewan, to Edmonton". Eliminate "by the through rate". "no revenue" should read "other revenue". Should read "of service. Within Ontario and Quebec and from the West to".

"charges," should read "charges up,".

"rate traffic," should read "grain



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INDEX

Page No.

ROBERTS, J.M.

Cross-examination

By Mr. Carter (resumed) 17922 By Mr. Frawley 17936

By The Commission

 Mr. Gobeil
 18034

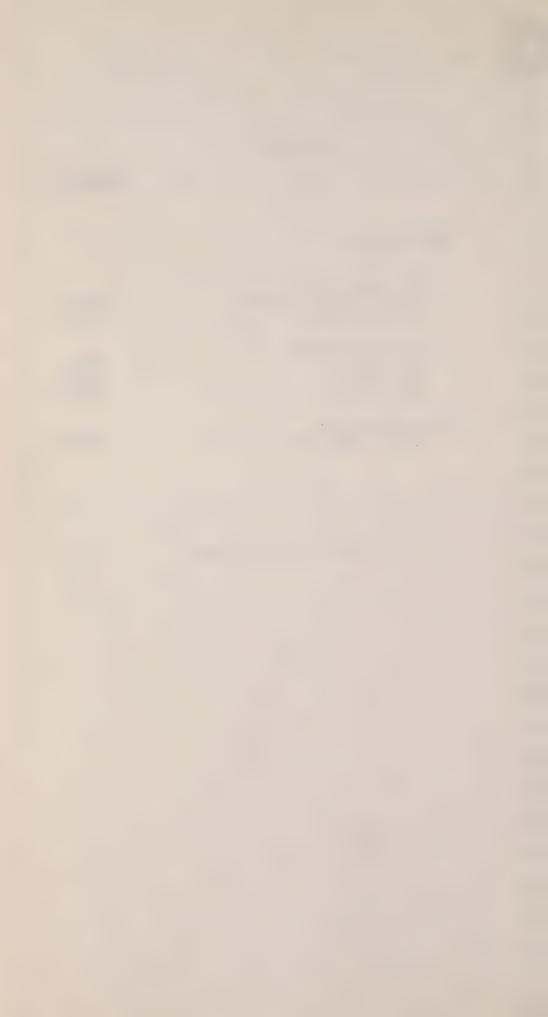
 Mr. Mann
 18042

 Mr. Platt
 18060

Re-examination

By Mr. Sinclair 18062

NO EXHIBITS IN THIS VOLUME



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ROYAL COMMISSION ON TRANSFORTATION

Proceedings of hearings held in the Court Room, Board of Transport Commissioners Offices, Ottawa, Ontario, on the 26th day of October, 1960.

COMMISSION

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Chairman Member

Mr. H. Anscomb

Member

Mr. A. H. Balch

Mr. R. Gobeil

Member

Mr. H. A. Mann

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Mr. G. S. Cumming

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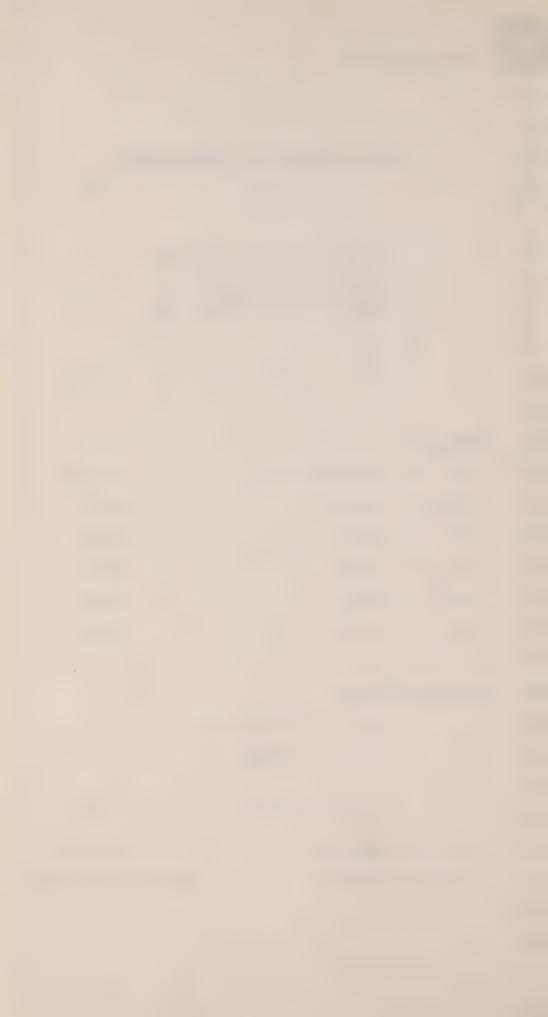
Adviser

Mr. F. W. Anderson

Secretary

Major N. Lafrance

Assistant Secretary





ANGUS, STONEHOUSE & CO. LTD. Roberts, cr.ex. TORONTO, ONTARIO (Carter)

Ottawa, Ontario, Wednesday, October 26, 1960.

--- On commencing at 10:00 a.m.

THE CHAIRMAN: Order, please.

MR. CARTER: Q. May I take you back for a moment to exhibit 162, Mr. Roberts?

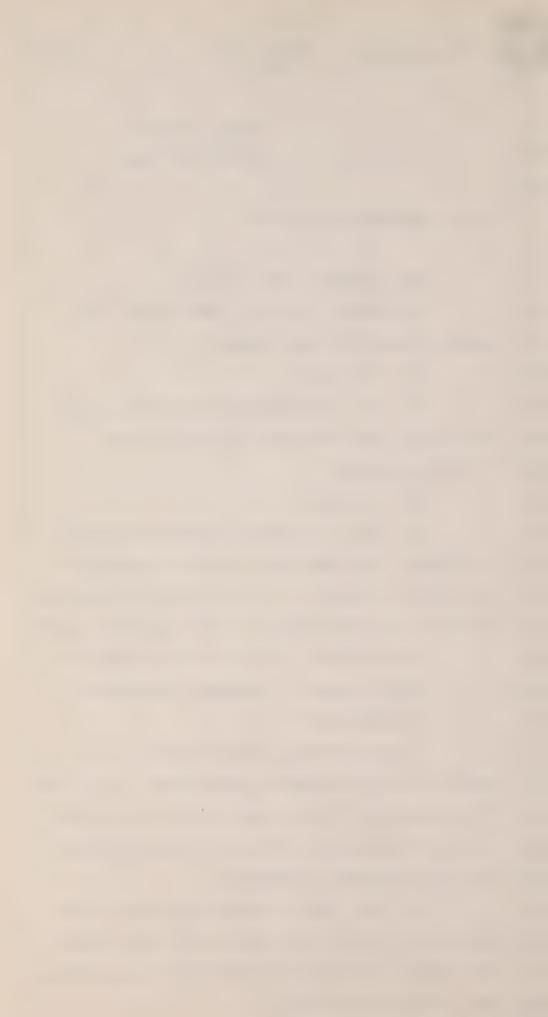
A. Yes, sir.

- Q. Did the Canadian Pacific Railway carry out a similar study following any of the earlier authorized increases?
 - A. No, sir.
- Q. Now, we adjourned yesterday afternoon,
 Mr. Roberts, I had drawn your attention to page 7 of
 your precis of evidence. I was concerned with the first
 sentence of the last paragraph on that page, which reads:

"For shippers, it must not be an attempt to offset economic or geographic advantages or disadvantages."

I was addressing certain questions to you having to do with geographic disadventages. At the time of the adjournment, you had agreed with me, if I recall it, that at least under certain circumstances distance might be a geographic disadvantage?

A. Yes, that is correct, Mr. Carter, when one shipper is moving his products 1,000 miles and the other shipper, into the same market has only a distance, say, of 100 miles to cover.



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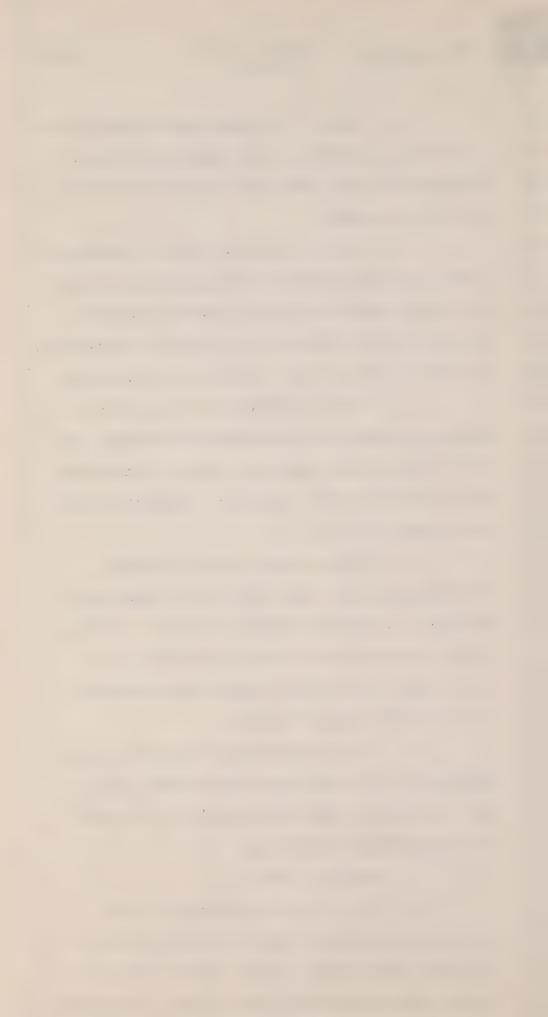
Q. Quite. As I understand the position of your company, a method of rate change which sought to interfere with that particular disadvantage would in its view be unsound?

A. Well, to interfere with the movement of traffic over long distances for one shipper in favour of a shipper who only moves his traffic a shorter distance, I think, then, sir, we would be attempting to get into economics, then, rather than transportation.

Q. Put it generally for the moment. I think you agreed with this suggestion yesterday, that in the view of your company any method of rate change which interfered with a geographic disadvantage would be an unsound method?

A. Well, we may overcome geographic disadvantages, sir. The location of one particular industry or a deposit of natural resources -- I mean, there's where they are located in relation to the market, and I do not think transportation should be used to offset such a situation.

- Q. Yes. And putting it generally, again, essentially, as I understand your position, you say that any method of rate change should not interfere with a geographic disadvantage?
 - That is correct.
- Q. Yes, With the application of the horizontal percentage increase in freight rates, it frequently happens, does it not, that in terms of dollars and cents the long haul shipper, following the



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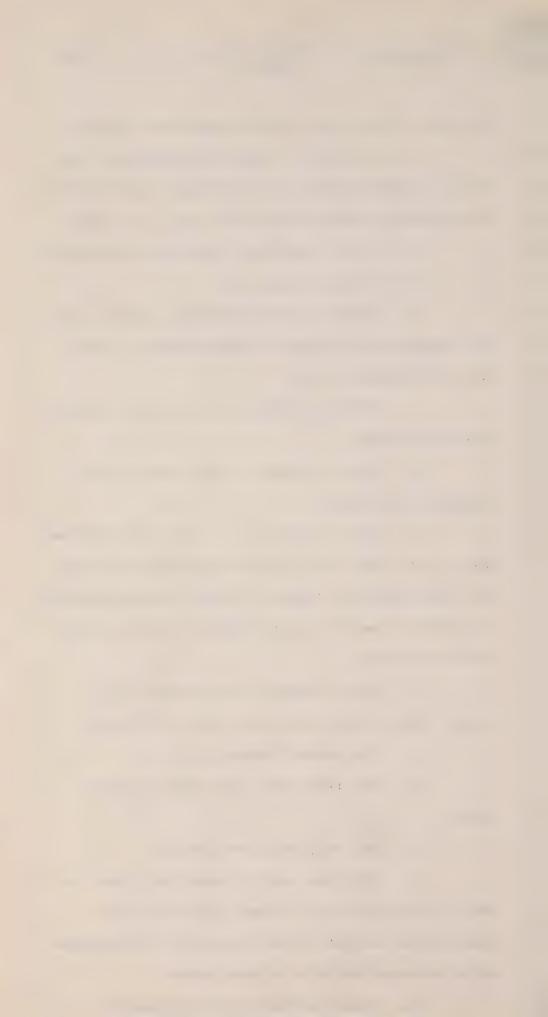
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increase, will pay more than the short haul shipper?

- A. In terms of absolute differences, yes, but not proportionately. The relationship between the transportation charges remains the same, Mr. Carter.
 - Q. This is what you term rate relationship?
 - A. That is right, sir.
- Q. Again, in absolute terms, however, this will increase the geographic disadvantage which the long haul shipper is at?
- A. That is correct, in accordance with the service performed.
- Q. Yes. And this, in the view of your company, is all right?
- A. Well, this is one of the things that we have to live with, sir. When you are moving something over long distances, I mean, you have a certain amount of service to perform and you should be paid properly for that service.
- Q. This, however, in the view of your company does not mean that this method is unsound?
 - A. The present method, sir?
- Q. The horizontal percentage increase method.
- A. No, sir, it is not unsound.
- Q. Well now, am I to understand, then, sir, that in the view of your company a method of rate change which does not offset a geographic disadvantage but which magnifies it is a sound method?
 - A. Which does not offset geographic



for it. Mr. Carter.

to get into.

by reason of his location, is located closer to his markets, and we should not be attempting to take that advantage away from him. One shipper has his natural market close to his plant and reaches out a certain distance into other markets.

course, this is what we consider the equitable way of

applying the increase in cost. You see, one shipper,

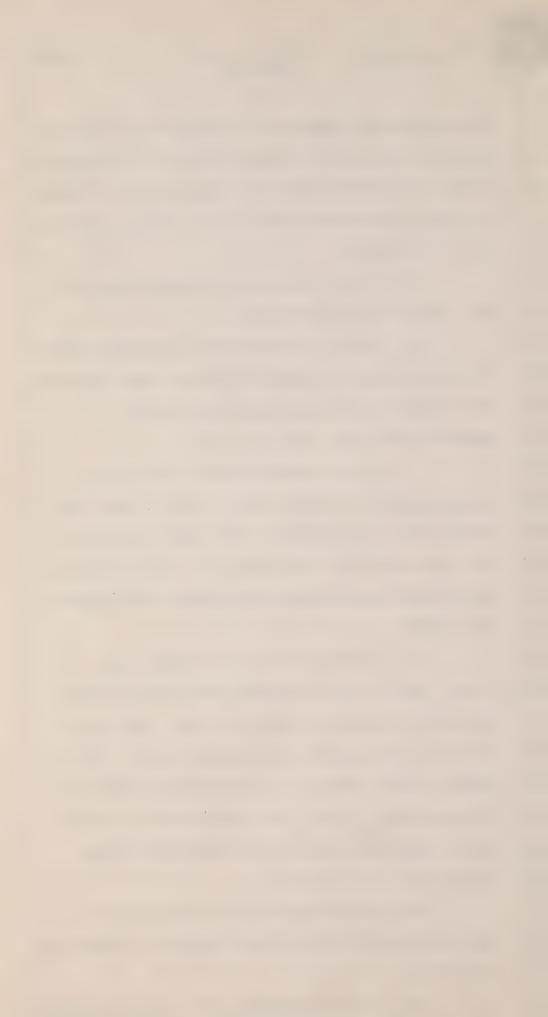
Now, another shipper is located closer to the second market that the first shipper is reaching out

Now, this is something, sir -- it is geographic;

disadvantage, but magnifies it. Well, sir, it does not magnify it; it does not change distance. It is the costs of the transportation that are going up, and the charge that has to be paid for that service. This is the basis

- Q. Again, however, in absolute terms it will magnify the disadvantages?
- A. Well, any differences -- it does change, of course, because you have a different base, each base reflecting the service you perform, but still proportionately they remain the same.
- Q. Yes. Having in mind, however, the absolute effect as between the long and the short haul shipper which an increase in rates under this method will have, is it still the wiew of the Canadian Pacific Railway that such a method may be properly be called a fair method?

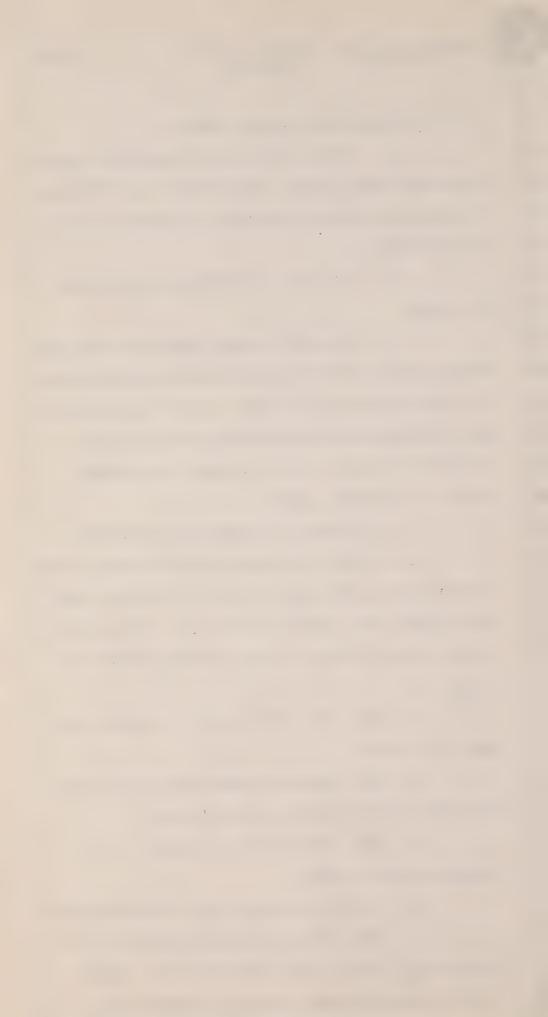
A. I think it is a fair method, sir. Of





it is something that we cannot control.

- Q. And the fact that the long haul shipper in absolute terms, again, will pay more is in the view of your company one of the facts of life which he has to live with?
- A. It is, sir, in relation to the service we perform.
- Q. Having that in mind, would you not agree, perhaps, that a better way of describing such a method, if a description must be sought, rather than calling it fair, having in mind the position of the long haul shipper, would be to call it a proven and workable system or a workable system?
 - A. I think it is workable and equitable.
- Q. Well, one cannot say of it, surely, that in some sort of ideal way it is fair, so that in some sort of ideal way, having in mind, again, the position of the long haul shipper, that it evenly divides the burden?
- A. Yes, sir, each shipper is treated the same. Mr. Carter.
- Q. But treated the same only in the sense that this rate relationship is maintained?
- A. Sir, the increase is applied proportionately to rates.
 - Q. So as to preserve this rate relationship?
- A. The rate relationship in differences in cents is not sacred. These differences are inherent in the service performed. Now, they reflect the





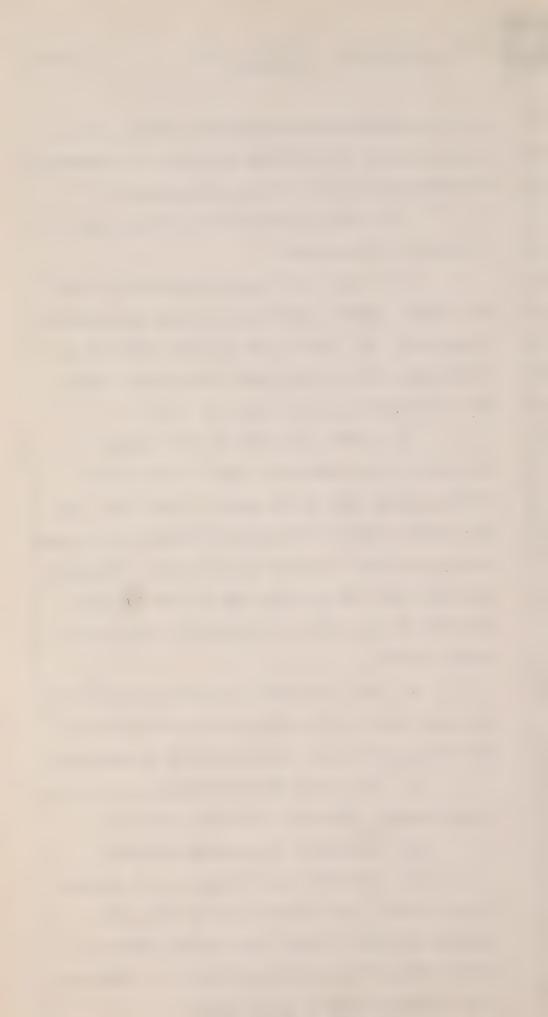
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of your precis. Just before I turn to that, the Chairman yesterday, I think, Mr. Roberts, asked you a question having to do with taper which as I understand it is in effect built in to all rates?

service performed and the increased costs are applied proportionately to the charge we receive for the service we perform to take care of the increased costs.

- Q. You say that the rate relationship as a principle is not sacred.
- A. Well, sir, there's differences in rates, Mr. Carter. There's differences in rates on different commodities. Now, this is the way they happen to be. A difference of 5ϕ in one rate; and 10ϕ in the other. But that does not have to remain as it is.
- Q. What I am coming to, Mr. Roberts, is this, that it does seem to me that the man on the street, perhaps this is the average shipper, the long haul shipper, that if following an increase his absolute position worsened if he had to pay out more in dollars and cents, that the fact that his rate relationship may still be maintained will perhaps be pretty cold comfort to him?
- A. Sir, the method of horizontal percentage increases applies the increased cost proportionately over the rate structure; proportionately and equitably.
- Q. As long as this is achieved, in the view of your company, the method, you say, is sound?
 - A. I think it is sound and equitable.

Q. May I take you to page 15, Mr. Roberts,





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A. Well, the taper reflects the service performed for the distance involved, and insofar as the basic rate structure, which is the class rates. why it has a taper, and the taper in the rate is a method of spreading or reflecting in the rate the smaller relationship of the terminal services to the total line haul service when you get into long haul.

- Q. Is it the view of your company that the taper is, well, to begin with, the taper involves some attempt to correct the absolute burden following upon the long haul shipper following an increase; is it?
- It recognizes the long distances that are required to move certain types of traffic in Canada.
- Would it be correct in your view to term it a corrective against the absolute burden which falls on the long haul shipper?
- A. Well, it is not a burden. It is not a burden; it is just a method of reflecting in a graduated way spreading over the costs on long distances on hauling traffic. That is all, Mr. Carter.
- Q. I gather, Mr. Roberts, from the evidence which you gave when my learned friend, Mr. Cooper, was examining you, and also certain of the evidence you gave when Mr. Brazier was examining you, that the Canadian Pacific Railway Company favours a system of regulation of rail rates?
- A. Yes, sir. We favour both minimum rate control and maximum rate control.



Q. Yes. I think you said in answer to my learned friend, Mr. Cooper, that such a system gives some protection to the railway against its rail competitors, and this is one desirable feature of such regulations?

A. Well, of course, in the case of minimum rate control, Mr. Carter, I feel there should be this control requiring that the railways should not keep in effect rates which do not meet the variable costs and something more.

Q. Yes?

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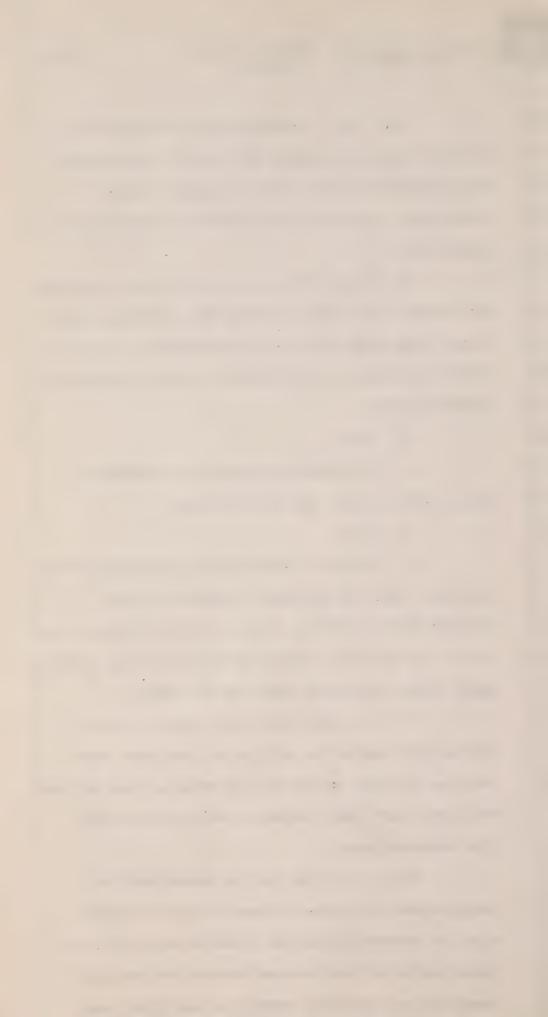
A. And that would apply to comparative rates, normal rates, and agreed charges.

Q. Yes?

A. Now, you mentioned the protection of the railways. Well, as you know, in Canada we have Canadian Pacific Railway, which is privately owned, and we have the Canadian National Railways which is a state-owned railway competing each with the other.

It is my view that there should be this
minimum rate control to apply to all railways, that
requires that they do not publish rates or keep any such
rates that meet their variable costs of the service
plus something more.

Now, I say this for the reason that the
Canadian Pacific Railway at sometime in the future
might be confronted with the situation where the rate
making policy of the Canadian National Railways was
based on, say, political considerations rather than





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business decisions.

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It would be, I think, not good for private railways in Canada to have hanging over them the possibility of the Canadian National Railways being used and operated in competition with the private railways, some of whom I mentioned before, in a manner other than Mr. Gordon has said the railway is operated under his direction.

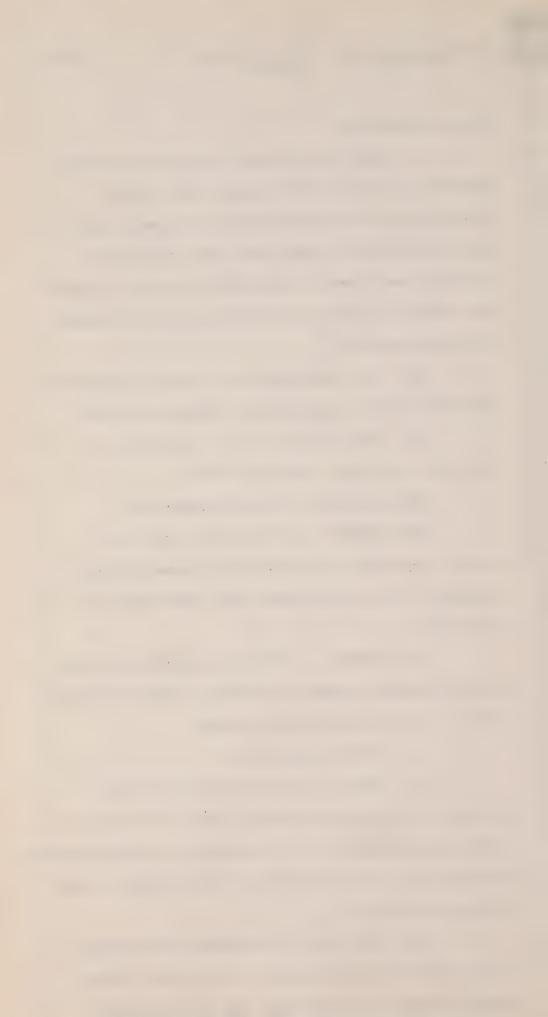
- Q. Your fear would be, I take it, that this might lead without regulation to damaging rate wars.
- Α. Well, this, sir, is a possibility in the future. You must always face this.

THE CHAIRMAN: You are apprehensive?

THE WITNESS: For the future, sir; Mr. Gordon is operating the railway as a proper business enterprise, but we do not know what might happen in the future.

MR. CARTER: Q. This, Mr. Roberts, was what you had in mind on Monday in speaking of the protection which a system of regulation afforded?

- A. That is right, sir.
- Q. And you told my learned friend, Mr. Brazier, as I read your evidence, that in the view of your company a system of rate regulation is psychologically desirable in so far as the shipper is concerned in that it sets a ceiling?
- A. Well, that is the maximum rate control. I feel that it is psychological in its effect insofar as the shippers are concerned. The fact that the



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railways might be able to charge rates which are. . -- they might consider just any rates that they felt they might wish to publish, rather than have this control; and, with that, I would imagine you have to give the permissive level of earnings for the railways.

- Q. This is another aspect of the regulatory system which makes it. in the view of your company, desirable?
 - A. Well, this is my opinion, sir, yes.
- Q. Is it the position of the Canadian Pacific Railway that truck rates should be similarly regulated?
- No, sir. No, sir, for the reason that they would be almost impossible to regulate; there are so many of them. And, after all, you have interprovincial movements, and you have movements within provinces. The provinces have jurisdiction over their own movements, and by the grace of Federal Government they have control over inter-provincial movements.
- Q. Let us restrict ourselves for a moment to the inter-provincial truck movements, and just looking at that, is it the view of the Canadian Pacific Railway that this is an area where truck rates should be regulated in a similar manner to rail rates?
- Well, sir, I would prefer to see both methods of transportation being used to the best possible advantage.

Now. I do not think any regulation is necessary insofar as the trucks are concerned.



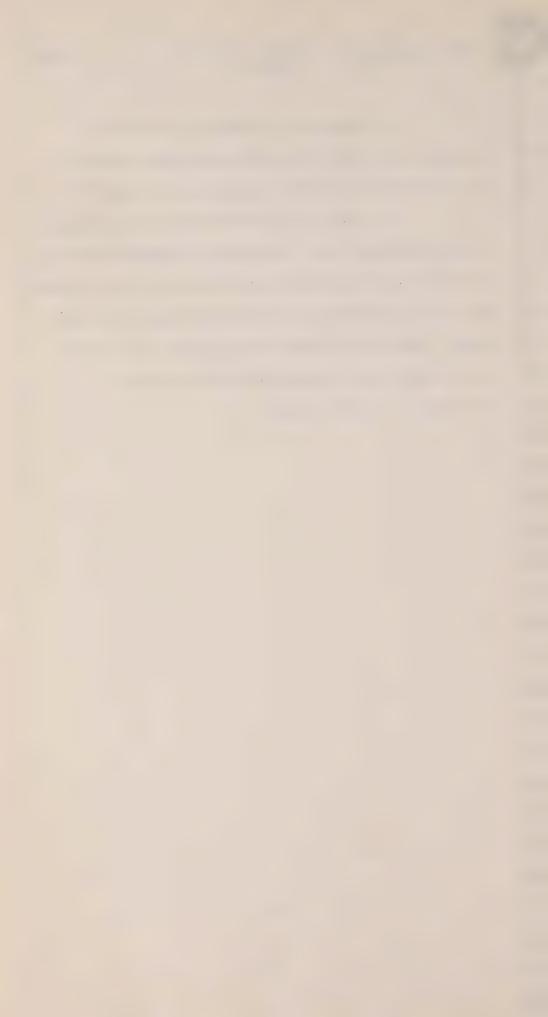


ANGUS. STONEHOUSE & CO. LTD. Roberts, er.ex. TORONTO, ONTARIO (Carter)

Q. Would such a system of truck rate regulation not have this perhaps desirable feature of, for one reason or another, preventing rate wars?

A. Well, I do not think there are going to be any rate wars, sir. The trucking industry have to pay their bills and operate just the same as the railways do, so I do not think you are going to get into rate wars. They should perhaps publish their rates, but I do not think that the question of regulation is necessary, other than that.

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Q. Does your company not feel that if the maxima were set on truck rates in some regulatory system this would have the same psychological desirable effect which you suggest the setting of ceilings on rail rates as far as shippers are concerned?

- A. I think the psychological effect is in the Railway Act if we have the maximum controls in the Railway Act.
- Q. In Mr. Mauro's cross-examination of you you were kind enough to suggest that my client the Province, of Saskatchewan would support a continuation of the horizontal increase method?
- A. I do not think I phrased it just quite like that. I believe, as I understand it ---

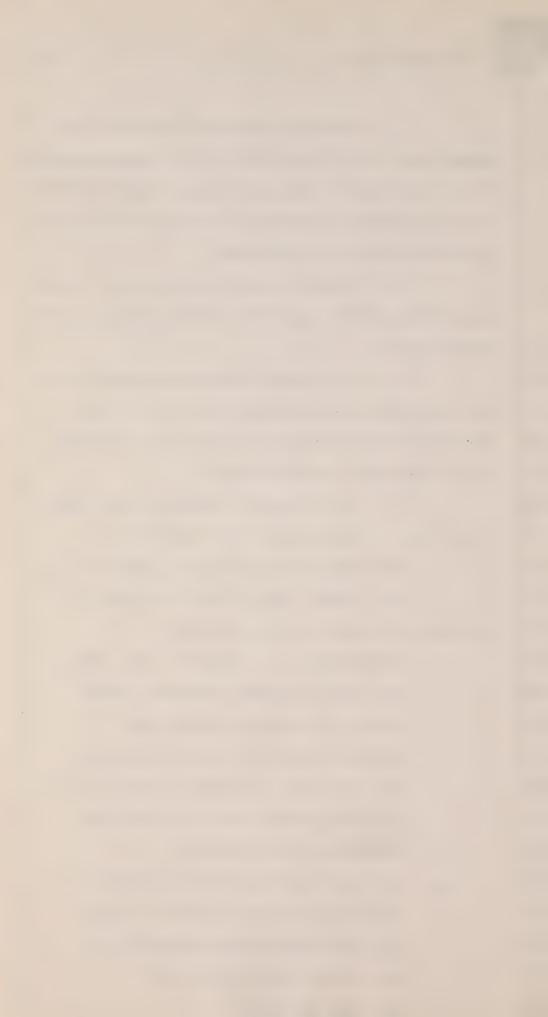
MR. SINCLAIR: Do not guess, look at it.

MR. CARTER: This is found in Volume 107

at page 17858 where at line 20 you said:

"Saskatchewan, as I recall it, sir, said that while increases, as we both agree, because of changing conditions are necessary, they felt that so far as they were concerned they could not think of any more equitable way of obtaining the additional money necessary.

- "Q. Your understanding of Saskatchewan's position is that Saskatchewan is supporting the present method because they do not have any better alternative?
- "A. Yes, that is right."



Company is not suffering under the illusion that

Saskatchewan feels this present method is fair?

A. Well, I do to this extent, that people do not think any increase is fair, you know, it just does

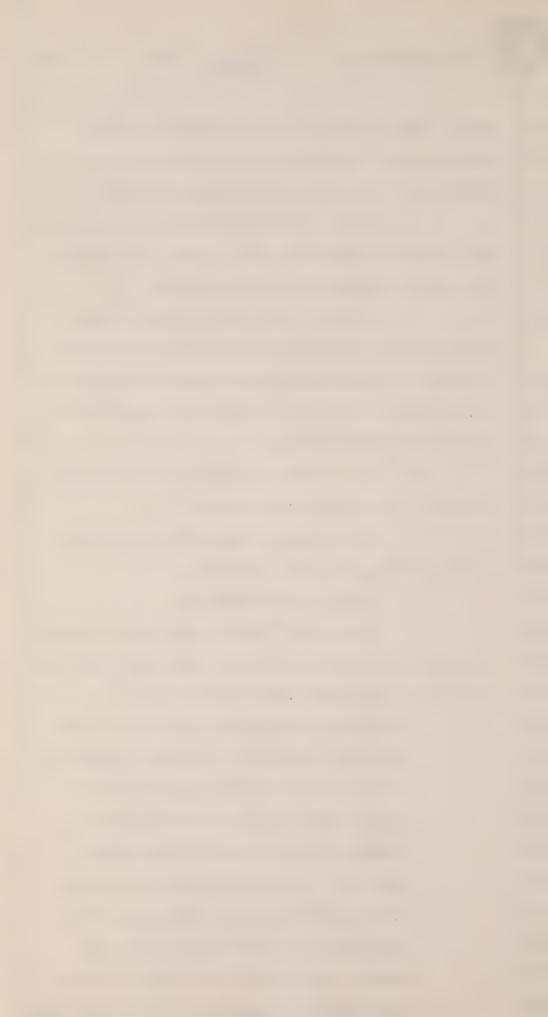
not apply to transportation charges alone.

Well, I take it that the Canadian Pacific Railway

- Q. Whatever the reason, I take it your company is not suffering under that illusion that the Province of Saskatchewan takes that position that it is a fair method. I am not asking for a comment as to whether it is right or wrong.
- A. Let us say the province of Saskatchewan think this is the fairest way because ---
- Q. Well, you have read the province's submission, have you not, Mr. Roberts?
 - A. Yes, sir, some time ago.
- Q. Well, may I refresh your memory on this.

 You may recall this from Part III commencing at the foot
 of page 12, paragraph 33, the province said:

"Analyses of the method of applying uniform percentage increases to all rates, generally referred to as horizontal percentage increases, and criticisms of the impact of increases thus applied have been made so often that it is scarcely necessary to discuss the matter at any length before this Commission. It should perhaps be noted, however, that the two most serious effects of horizontal increases lie in the higher level.



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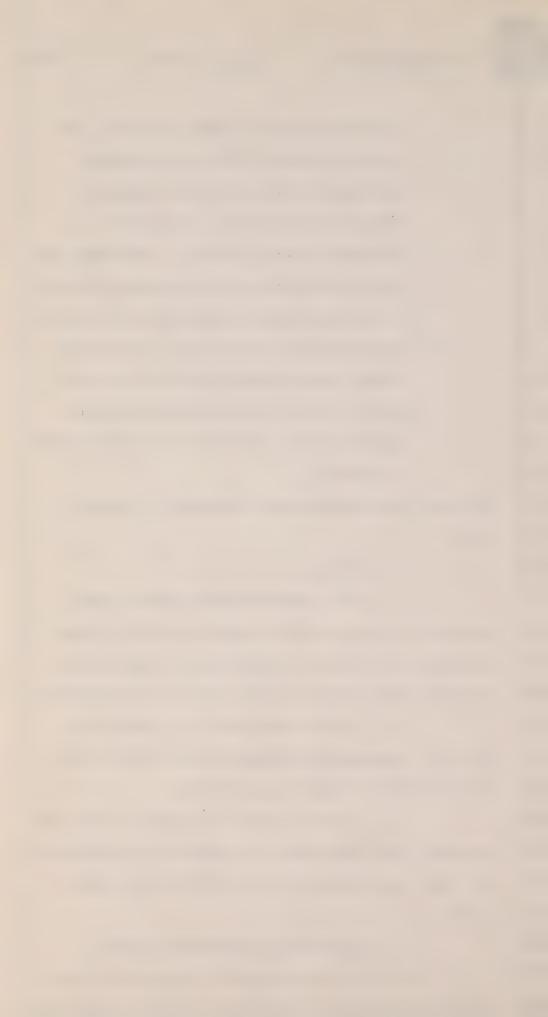
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of rates applying to longer distances, and in the detrimental effects on long-haul in comparison with short-haul shippers. Analysis of the problem is easy but a solution is hard to come by. The reason for the difficulty and perhaps the impossibility of finding a solution within the rate structure relates directly to the basic premise that freight rate increases must be sought and obtained in areas of semi-monopoly and on captive traffic, from which the burden cannot be shifted."

You recall that being in the submission of the province?

- A. Yes, sir.
- Well, looking at this from the other side, may I take it that the Canadian Pacific Railway supports the Province of Saskatchewan in making the assertion which it does in that part of the submission?
- A. I would think the C.P.R. position is that the horizontal percentage increase method is the fairest method of applying an increase.
- Q. I am well aware of that but my only concern here is to make sure the Canadian Pacific Railway is not under any illusion as to the position my client takes?
 - No. we are not under any illusion. Α.
- And, essentially, I think you are aware Q. that the position of the province is that it cannot see



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other than the existing freight rate structure any workable alternative. This is essentially it, is it not?

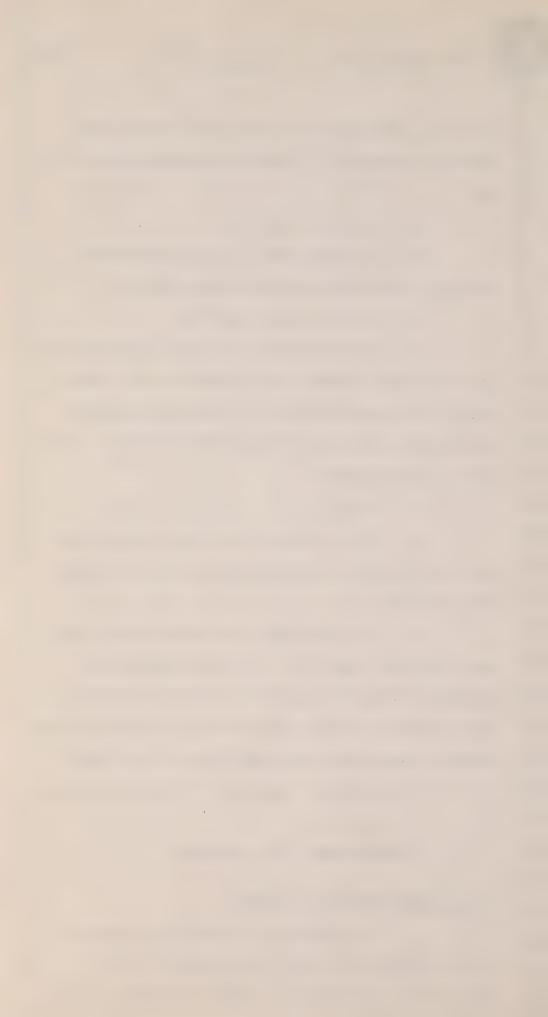
- Α. That is right.
- In other words, it is like death or taxes, we cannot see any workable alternative?
 - A. That is what I said too.
- Q. And that being my client's position, as you will recall it went on to propose to this Commission in its submission that the Commission consider recommending a national transportation subsidy. You recall that proposal?
 - A. Yes.
- Q. Am I to take it that your company supports the province of Saskatchewan in turn in making that proposal?
- A. If the subsidy is to apply to the railways we do not support it. If any assistance is necessary it should be given to the people who need the assistance and the railway should be allowed to run their business as we are endeavouring to do it now.

MR. CARTER: Thank you, Mr. Roberts, that is all.

THE CHAIRMAN: Mr. Frawley?

CROSS-EXAMINATION BY MR. FRAWLEY:

Mr. Roberts, my friends have spoken to Q. you so exhaustively about your Exhibit 162 that I think I will just ask you to clear up something that

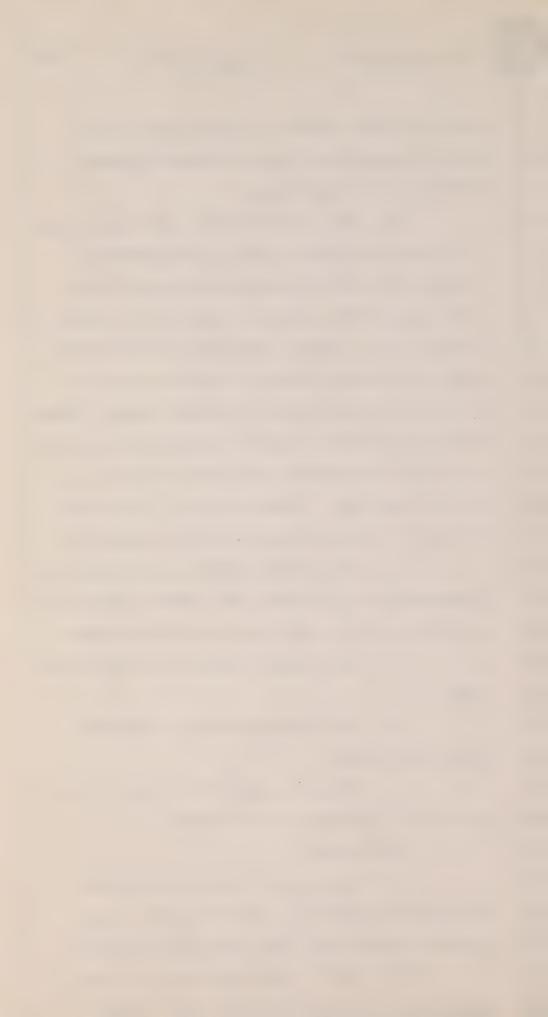


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made me a little curious. You excluded revenue moving from the United States origins to Canadian destinations at joint rates?

- A. Well, this is based on the Board's Way-bill Study and it applies only to intra-Canadian traffic. Now, there is some intra-Canadian traffic which moves at rates related to rates in the United States, the port related rates and then there is the lumber from British Columbia to eastern Canada and the fruit from the Okanagan to eastern Canada. Those rates are increased by whatever increase is authorized by the ICC in the United States and concurred in by our own Commission. Therefore, the 17 per cent did not apply to those rates and we did not include it.
- Q. Well, another instance is farm machinery moving from the Chicago area into western Canada; the Canadian portion of those rates would be increased?
- A. Into western Canada, yes, because those rates ---
- Q. That machinery moves on a commodity rate to the border?
- A. I beg your pardon, Mr. Frawley, they would not be included in this statement ---
 - Q. "They"?
- A. The movement from the United States into western Canada would not be included in this statement because they were international movements.
- Q. Well, I understood, and that is why I asked you the question because of some -- farm



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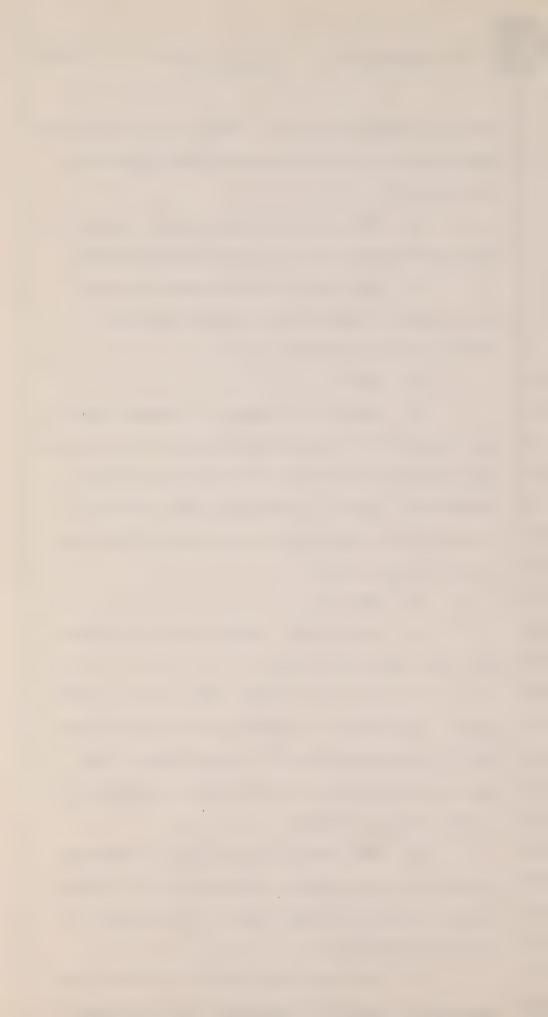
machinery coming from Moline, Illinois, going to Edmonton moves on what is called the international class rate, C.P.R. W-449L?

- A. That is C.P.R. issue, that is right, proportional rate from border points in western Canada.
- Q. But that is from the border on from North Portal to Edmonton, agricultural machinery, American origin, of course?
 - A. Yes.

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- Q. They do not originate in North Portal, they originate in farm machinery manufacturing points in the United States and they move in from North Portal.

 In any event, I put it to you \$1.52 until the 6th of May when you had the effect of the second rollback and it was reduced to \$1.49?
 - A. Yes, sir.
- Q. Let me say I regarded that as a Canadian rate, am I wrong about that?
- A. That is a Canadian rate but the movement itself from Moline to Edmonton would be on a through bill of lading travelling on a through waybill from origin to destination and it would not be treated as an intra-Canadian shipment.
- Q. Well, what you are saying is that that movement, the farm machinery movement from the American origin into western Canada did not take any part of the 17 per cent increase?
- A. The rate which applies for the haul from the border to destination would take the 17 per cent.



Q. That is what I have been told many times and I thought now that I was getting it and I knew I was getting it from a very good source. I thought I had been wrong all that time, but what I have always understood that these farm machinery rates from the border around into Canadian western destination did take the 17 per cent increase?

A. Yes.

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TORONTO, ONTARIO

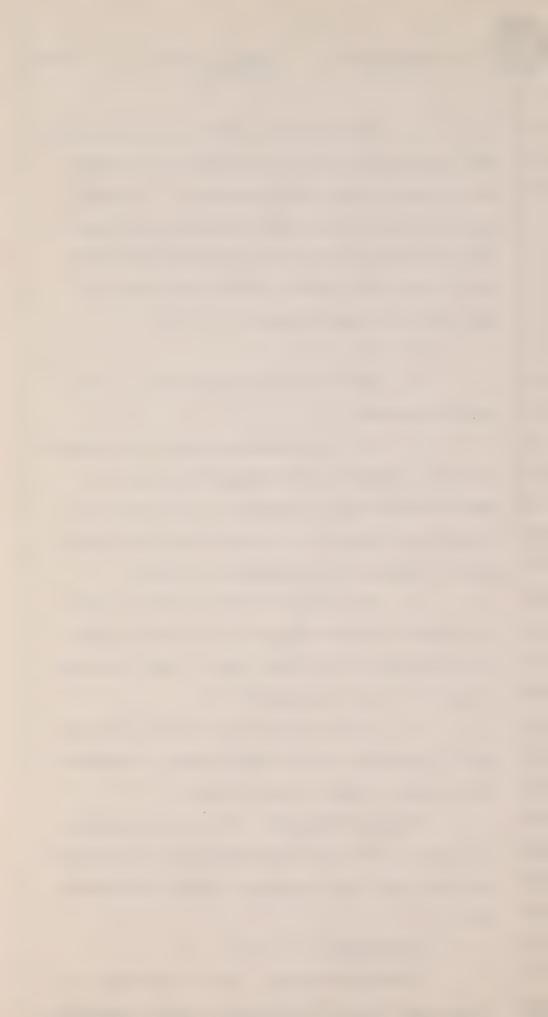
- Q. Then it must be regarded as an intra-Canadian movement?
- A. No, sir, because as I said, the shipment moves on a through bill of lading from Moline to Edmonton and on only one waybill. It is true it is in the United States but it covers only traffic which has its origin and its destination in Canada.
- Q. Well, we have that particular shipment, the Canadian portion taking the 17 per cent increase but we have not got it in the Waybill Study so we have not got it in your Exhibit 162?
- A. To that extent this does not cover that traffic; it covers only the traffic which is reported as moving locally between points in Canada.

COMMISSIONER BALCH: May I ask a question?

It is that 17 per cent increase added on to the originating point, the cost of shipment from the originating point?

THE WITNESS: No, sir.

COMMISSIONER BALCH: Well, supposing I put it this way: is the provision made from the originating



point to except the 17 per cent in the cost, in the total cost of shipment, if you get what I mean?

THE WITNESS: By the provision do you mean it is applied for the transportation service from the origin point to the destination?

COMMISSIONER BALCH: It would be American right from origin to the border?

THE WITNESS: Yes.

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COMMISSIONER BALCH: And the 17 per cent from then on?

THE WITNESS: Yes.

from the beginning, is it added to your American costing?

THE WITNESS: No, sir.

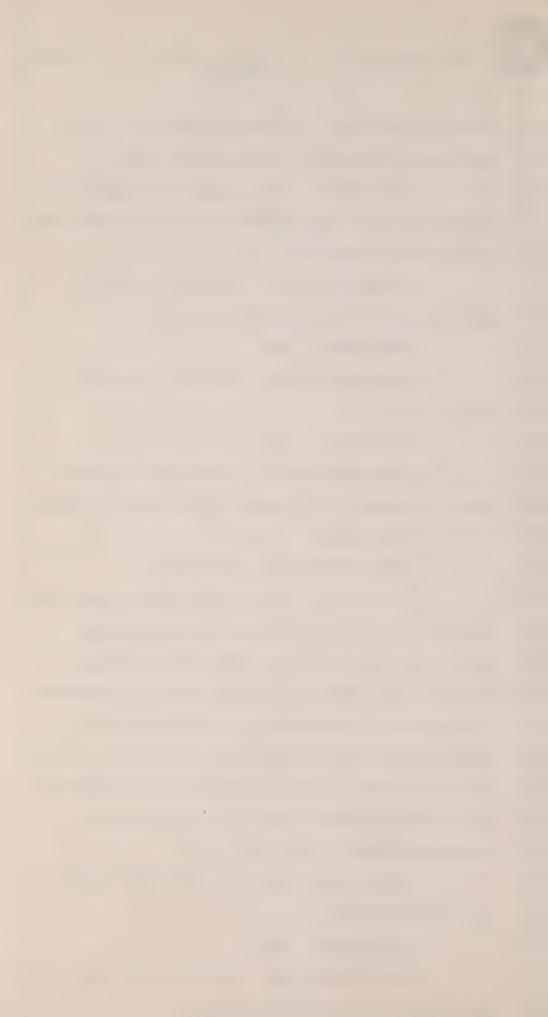
COMMISSIONER BALCH: It is not?

THE WITNESS: No, sir, the American rate, the United States rate from Moline, Illinois, to, say, Portal, North Dakota, which is the border gateway, it would be one rate and it would be subject to whatever increase might be authorized at any time by the ICC through North Portal, Saskatchewan, to Edmonton. Then we have a Canadian portion, a separate rate to destination by the through rate and that is subject to increases authorized by the Board.

COMMISSIONER BALCH: You said there was only one billing through?

THE WITNESS: Yes.

COMMISSIONER BALCH: So the 17 per cent must be added on to that one billing?



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TORONTO, ONTARIO

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THE WITNESS: Yes, sir, but only to the extent that there are transportation charges in Canada.

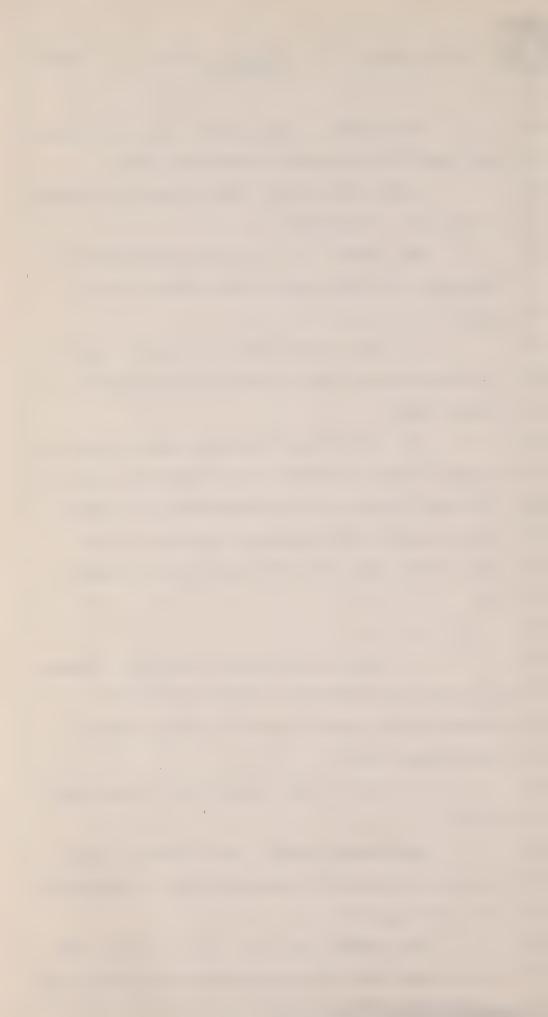
COMMISSIONER BALCH: That is what I was trying to bring out. Thank you.

MR. FRAWLEY: Q. So that we just stumbled on something, did we not, that you have not got that in here?

- That is right, but we are quite clear in our designation that this is taken from the Board's Waybill Study.
- Q. I am pleased to have you take it and I do not think there is anything malicious about the fact, but I just say that all of the increases which are paid in western Canada on farm machinery originating in the United States simply are not included in your Exhibit 162?
 - A. No.
- Q. And that goes for all the traffic originating in the United States and coming into Canadian destinations that generally travel on single factor joint through rates?
 - That is right, it does not indicate that traffic.

COMMISSIONER GOBEIL: Would that also apply to traffic originating in Canada and going to the United States like lumber?

THE WITNESS: No, sir. You see, lumber from western Canada, British Columbia and Alberta, moves under



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maintained at the United States level to enable our lumber to get into United States markets, and, of course, the increase paid, if there are any applied to these rates are increased which are put onto the United States rates, we keep our rates at the same level.

COMMISSIONER GOBEIL: They do not show on the waybil:

THE WITNESS: No, it would not have any bearing

through rates into the United States and those rates are

and the west coast and the interior. The rates are

related to rates from producing areas in the United States

on this, if I may say so, because the 17 per cent
increase would not apply to those rates.

MR. FRAWLEY: Q. So, Mr. Roberts, it is not

only a case of the farm machinery your Exhibit 162 is, well, shall I say, in error, you know what I mean, you did not attempt to cover it, it is not a mistake you made but in any event it is deficient in that it does not cover not only the farm machinery coming from the United States and going into western Canada but all other traffic originating in the United States terminating in Canada which moves at border combinations?

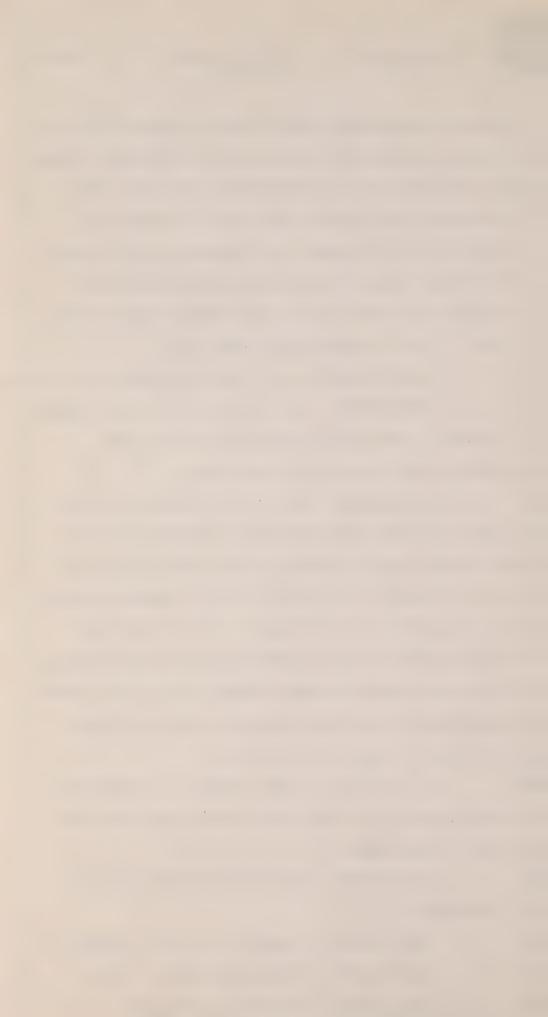
A. What I explained, there is a movement at border combinations using factors which the 17 per cent increase would apply to.

THE CHAIRMAN: What would that be about percentagewise?

THE WITNESS: I could not give you a figure ---

MR. FRAWLEY: I would not think so, but ---

MR. SINCLAIR: Wait till he finishes.



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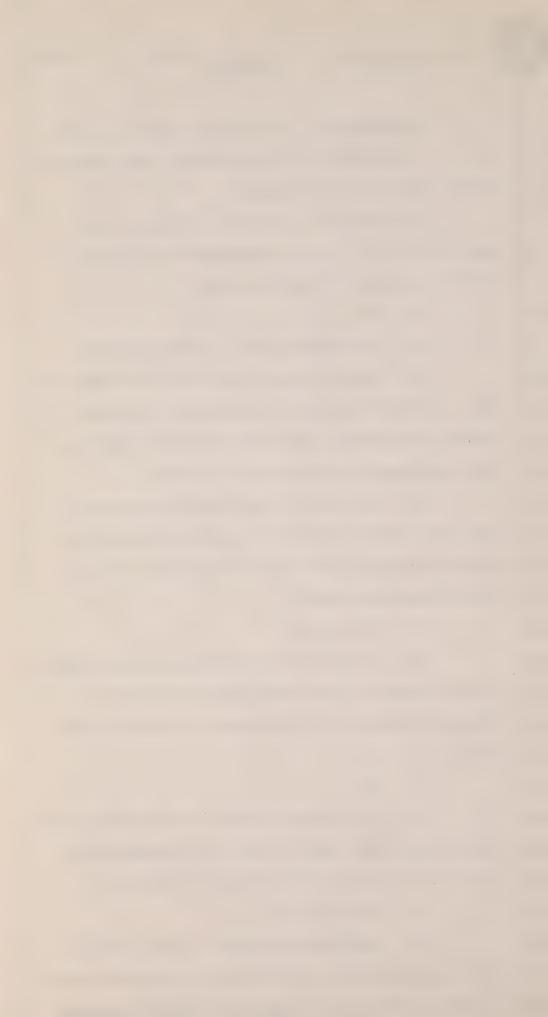
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ANGUS, STONEHOUSE & CO. LTD. TORONTO, ONTARIO

> THE CHAIRMAN: Would it be large or small? THE WITNESS: No, it is not a large amount of money in relation to the total.

MR. FRAWLEY: Q. Well, let us see how important it is. All farm machinery that is made -there is no tariff on farm machinery?

- Α. No.
- Q. No customs tariff on farm machinery?
- A. That is right, and I think the reason for that is there is as much farm machinery, I believe, shipped from eastern Canada into the United States as there is shipped to destinations in Canada.
- Q. Yes, what I mean to say is, because of the fiscal policy some of the big manufacturing farm machinery companies make all of their tractors in the United States factories?
 - A. That may be.
- Q. I think you will find International makes all its tractors in the United States whether for shipment to domestic or into Canada or wherever in the world?
 - A Yes.
- The tractors are made in the United States because there is no duty or there is no international line at all so far as fiscal policy is concerned?
 - That is right. A.
- And then that applies to any kind of Q. farm machinery that is manufactured in the United States, it moves as freely into Canada as it moves to domestic



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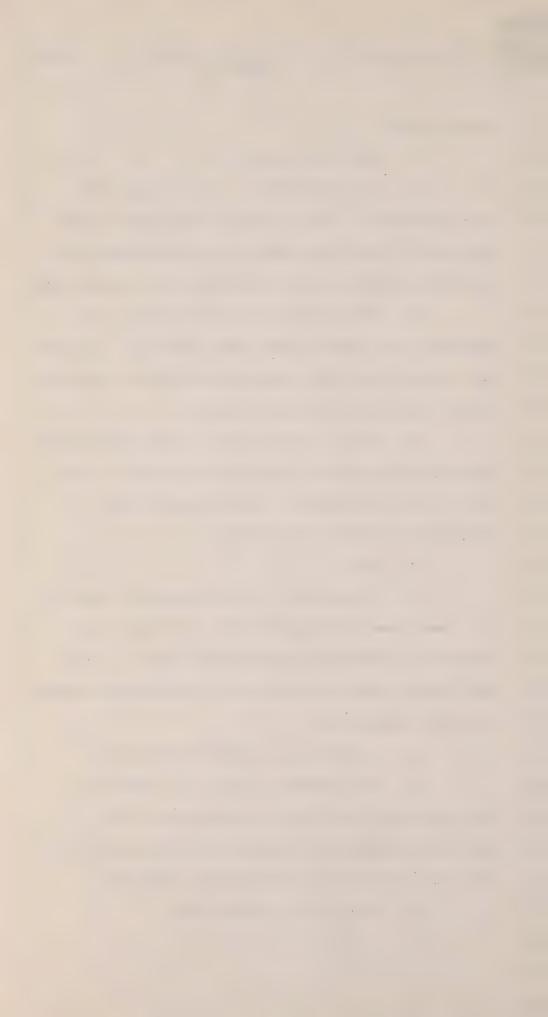
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- A. And vice versa.
- Q. And vice versa. Now, so much for farm machinery. Can you think at the moment of any other traffic that originates in the United States and moves into Canada on rates which are border combinations?
- A. There would be a certain amount of machinery, Mr. Frawley, maybe some pipe now. I do not know whether pipe has stopped moving with the construction of pipe mills in western Canada.
- Q. Let us think of one, of the little known industry known as the oil industry which moves a great deal of what is called oil country machinery and equipment from the United States?
 - A. Yes.
- A great deal of it, perhaps too much of it is made down in Youngstown, Ohio, and many other important oil machinery manufacturing points. Now, that traffic moves on single factor joint through rates or border combinations?
 - A. I would say on border combinations.
- Q. Yes, because actually, Mr. Roberts, you do not enter into these -- for a rate to be established on a single factor joint through basis there has to be concurrence by the Canadian railways?
 - A. Yes, it is a joint effort.

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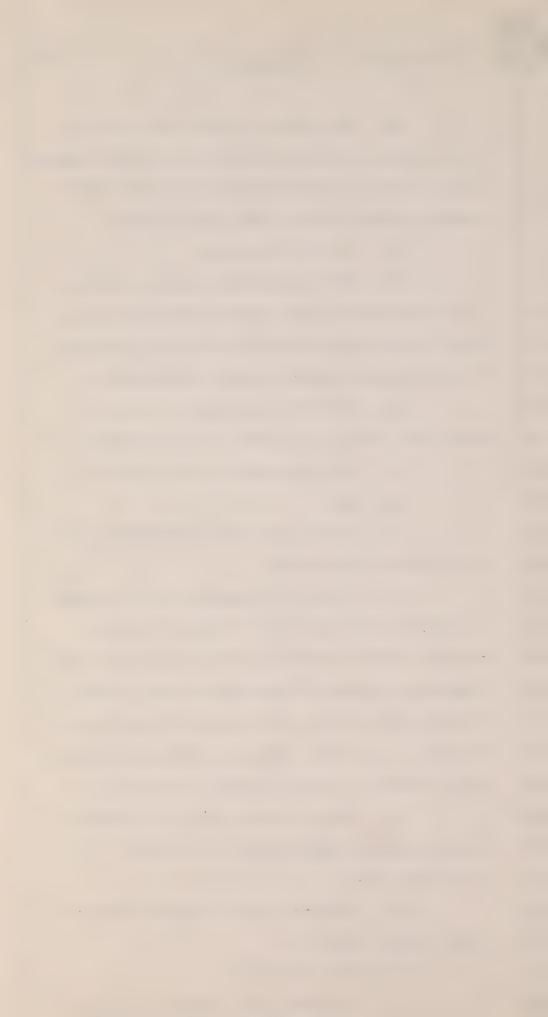
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ANGUS. STONEHOUSE & CO. LTD. Roberts, cr.ex. forento. ontario (Frawley)

- Q. As a matter of fact, have there not been attempts in the past to have the Canadian railways concur in putting farm machinery from United States origins on single factor joint through rates?
 - A. Not to my knowledge.
- Q. Have the American railways not gone into conference with the Canadian railways seeking to arrive at something better than the full class rate from the Canadian border through to destination?
- A. There were discussions to arrive at a basis, as I recall it, to meet truck competition.
 - Q. Yes, there were -- so I was told.
 - A. Yes.
- Q. But you people did not think you would go into this kind of thing?
- A. It was not a question of not thinking we could go into these kind of things. It was a question more, as I recall it, that you had this truck competitive feature of the truckers coming through from the United States and dropping off one piece of machinery in one small town and another piece further along the line. It was a situation like this.
- Q. It was a spotty thing. You did not think you would bother putting in any joint competitive rates?
- A. I would not say we did not think we bother putting them in.
 - Q. But you did not?
 - A. We did not, sir, because it was a



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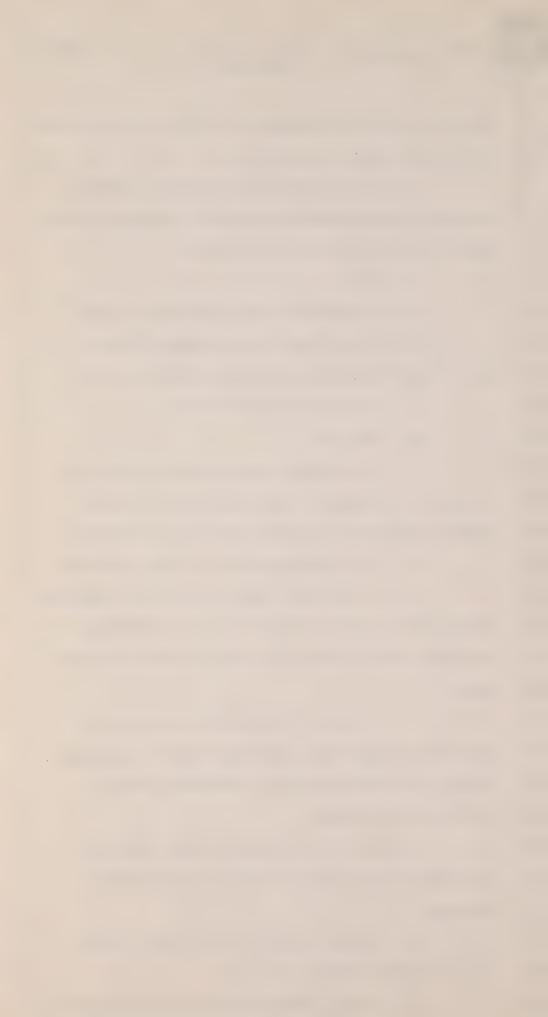
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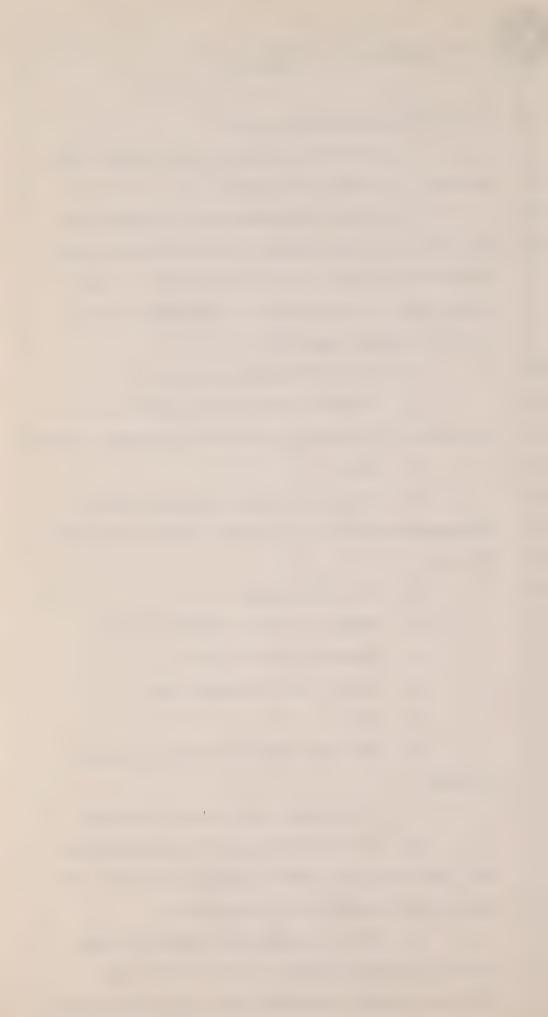
- Q. Did you discuss it with the Hamilton producers and the Branford producers, and perhaps they did not think it would be a good idea?
 - A. No.
 - 0. You did not have any regard to that?
- A. We did not have any regard for it -- it was a competitive situation we were trying to meet.
 - And you did not meet it? Q.
 - No. sir. A .
- Do you know now that the low boys are 0. coming in -- throngs of them coming in to Western Canada from American factories with farm machinery?
 - It could be because of this situation.
- I have seen them on the Calgary-Edmonton 0. highway and I imagine they are on similar highways elsewhere, but you are still charging the full class rate?
- We would sit down with people and A . negotiate through rates with them tomorrow to get the traffic, but there are these situations that are difficult to overcome.
- Q. Yes, until they are there, and they have overcome you, and you have to put in agreed charges?
- A. Well, we have not got agreed charges from the United States.
 - Q. Well, I do not know -- you could put in



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a competitive rate in any event?

- A. Put in a competitive rate without any assurance of getting any traffic.
- Q. But at the moment you are getting the full class rate on shipments of farm machinery moving into Western Canada from the United States -- the highest rate in the book as it is sometimes called -- from the Canadian border in?
 - A. We get the sixth. class rate.
- Q. And that rate from the border into destination -- it gets the horizontal percentage increase?
 - A. Yes.
- Q. Now, let us look at the same kind of farm machinery moving from Moline, Illinois, to London, Ontario.
 - A. That is correct.
 - Q. That is a horse of another colour?
 - A. These are through rates.
 - Q. Single factor through rates?
 - A. Yes.
- Q. And they get no part of any Canadian increase?
 - A. But they take the American increases.
- Q. I would not want you to overlook saying that, but they do not take the Canadian increases, and they did not take that last 17% increase?
- A. That is correct, but they have taken the last increase that has been authorized by the Interstate Commerce Commission, and they also took the





previous one, X212.

- with your horizontal percentage method, and I am not going to start quarrelling with it as being not as good as something else. Let us assume for the sake of this discussion and I assure you it is just an assumption let us assume it is a perfectly good method of increasing freight rates: you have that system and say you look at the farm machinery rates after you get the authorization for the 17% increase. The Western Canadian farm machinery moving in from American origins and the Western Canadian farm machinery moving in from Hamilton and Brantford in Ontario, they all get the 17% increase?
 - A. Yes.
- Q. 100% of the 17% increase, and on the farm machinery coming in from Moline and the Chicago area into Ontario, Quebec and the Maritimes, no part of the 17%?
 - A. But ---
 - Q. But they do get the American increases?
 - A. That is right.
 - Q. You always add that in brackets?
 - A. That is right.
- Q. But they do not get that last 17% increase where the brotherhoods waged the battle to get the wage award and turned it into a freight rate increase -- those were the actual Canadian costs. The Canadian farm machinery in Western Canada paid for that



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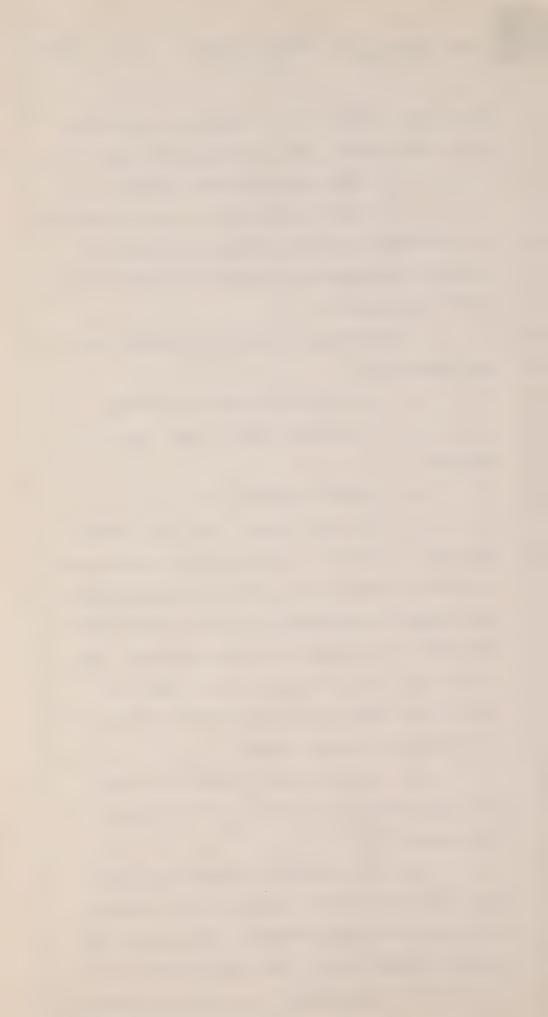
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wage award, but all the farm machinery from Chicago moving into Ontario, they did not pay for that?

- A. They did not get that increase.
- Q. That is what I say is really wrong with this horizontal percentage method of increase -- however, that sounds like argument, and there will be a later date for that.

You excluded the Crows Nest traffic from this exhibit 162?

- A. It did not get the 17% increase.
- Q. I would not think it did. So, it is excluded?
 - A. That is correct, sir.
- Q. You say on page 7 that the increase in the rates -- and that is the horizontal method, which you think is pretty good -- that it must create the least possible disturbance to the basic freight rate structure. So, it would be a fair assumption, then, to put to you that you regard the existing rate structure as being perfectly satisfactory except for the Crows Nest Pass grain rates?
- A. To that extent I think that it is moving the traffic of Canada, yes sir; I think it is satisfactory.
- Q. I was going to take you up on that about moving the traffic in Canada, and I suppose I may as well start now although a little out of order and ask you about that. I am intrigued when you say it is satisfactory because it is moving the traffic in





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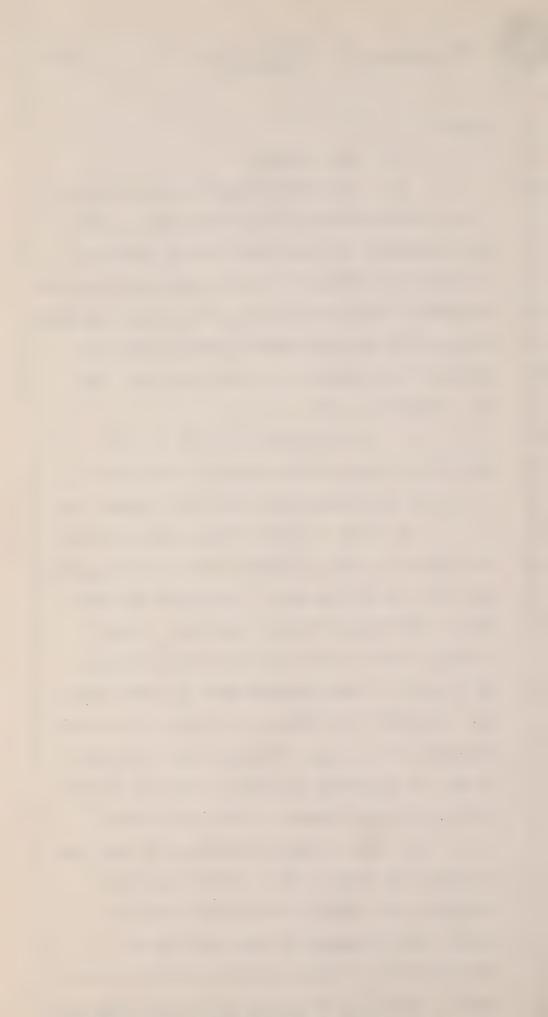
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Canada.

A. That is right.

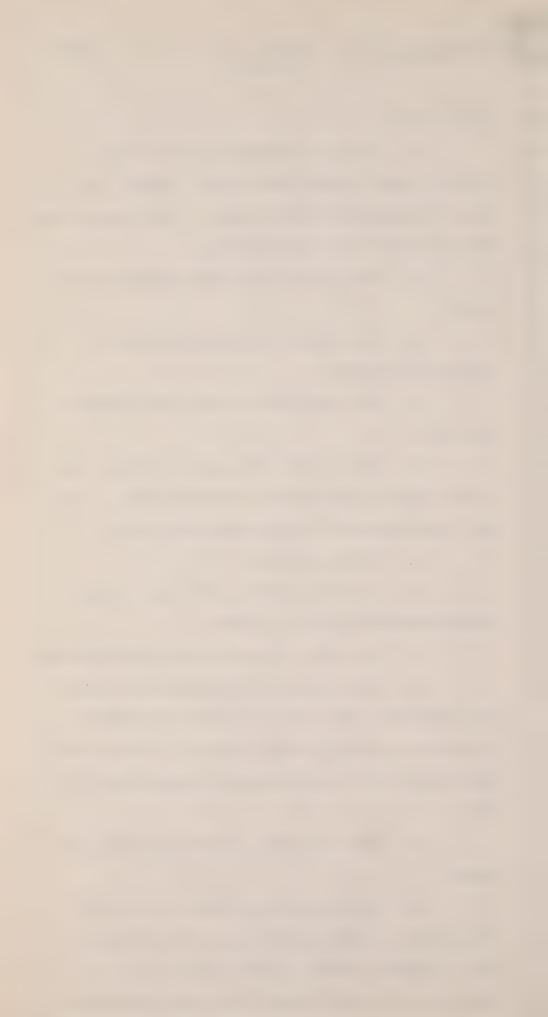
- Q. I do not know what you mean, because if I am a drilling company out in Alberta and I want to get drilling my well under some sort of limitation -government or otherwise -- I have to get that drilling equipment in there and I have got to pay you your rates whether it is 2% over variable costs or 500% over variable costs, haven't I? I have got to get that well machinery in there?
- A. That is correct, but we are also handling the potatoes from Southern Alberta and the fruit from the Okanagan, and lumber from Alberta too.
- Q. Yes, I am only talking about rates at the moment -- I will be talking about all of them, the good ones and the bad ones. I am talking about the rate -- and somebody said the other day, without looking at them -- and it may have been my friend, Mr. Sinclair -- that certainly there are rates which are a good deal over variable -- a good deal over outof-pocket. So, it does not matter about the figure we take; we could take 100, 200 or 400% over variable. You say it is good because it moves the traffic?
- A. It is just such instances as that, the machinery, the return that is received from the machinery, that enables the railways in Western Canada, which is primarily, you might say, an extractive area -- the products are potatoes or wheat. fruit -- enables us to maintain rates which moves that



ANGUS. STONEHOUSE & CO. LTD. Roberts, cr.ex. (Frawley)

traffic freely.

- Q. No, no; it does not move it freely. I do not see what you mean when you say "freely". It moves it because it has to be moved. The fellow at the other end has to have that machinery?
- A. Sir, I am talking about potatotes and fruit.
- Q. Oh, I see; you are talking about potatotes and fruit?
- A. You might say to offset you speaking of machinery.
- Q. Well, that is the same old thing. That is the slogan I first learned from Frank Evans -- the boots and shoes must carry the sand and gravel.
 - A. That is correct.
- Q. And that is really the heart of your discriminatory freight rate system?
 - A. Yes, that is correct, cross subsidization.
- Q. Well, Alberta has put something before this Commission with a view to finding out whether or not we can depart from that and still keep you whole. That is really the issue before this Commission, is it not?
- A. That is right; you are submitting your views.
- Q. That is right, and that issue which I have created, I simply put to you -- and I think you will be generous enough to agree with me -- is a major if not the major issue before this Commission?



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TORONTO, ONTARIO

A. No. The major issue ---

Q. Apart from the Crows Nest rates, Oh. it is nothing compared with that. That is incomparable.

MR. SINCLAIR: Well, we will accept counsel's statement.

MR. FRAWLEY: It would be a sad situation if it were discovered that these famous grain rates were really compensatory.

MR. SINCLAIR: It would be a wonderful thing if that could be shown.

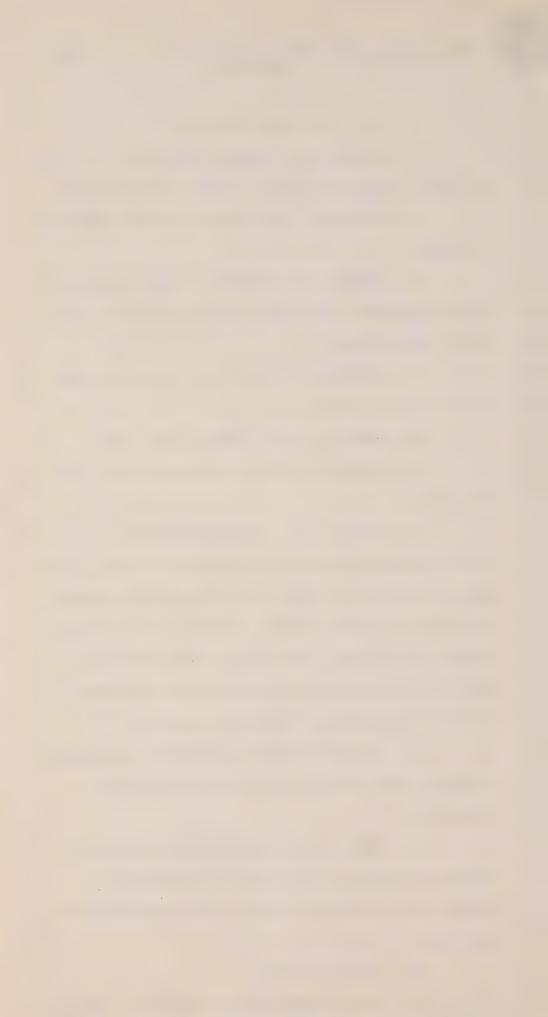
MR. FRAWLEY: Well, just wait and see.

MR. SINCLAIR: We will certainly wait. We have seen.

MR. FRAWLEY: Q. You do think that -- and I will be generous enough to concede that to you -- the grain rates are by far the most important thing before this Commission, as you think, and for the sake of this argument I will agree. But, a very major issue is whether or not something can be devised to get away from the excessiveness of the discrimination.

A. Well, this is the provinces' submission -- this is the submission of the provinces to the Commission.

- Q. Certainly it is the submission of the Province of Alberta, and I take it my friends are certainly not opposing it; some of them are saying the same thing.
 - That is right.
 - But is that the best you can say about 0.0





ANGUS. STONEHOUSE & CO. LTD. Roberts, cr.ex. TORONTO, ONTARIO (Frawley)

it -- that it is the provinces! submission? Do you not think it is an important issue?

- A. It is important; it certainly is.
- Q. Yes. Now, I would like to have you take a look at a very well known document and much referred to, and that is the statement you presented to the Board in the 17% case. It was called originally the 19% case, and it was reproduced in different places, and I am reading from page 23 of Mr. Harries' brief. Now, I am bold enough to say this is the document which resulted in the appointment of this Commission; that is what I think about the importance of this document.

MR. SINGLAIR: Is that a question to the witness?

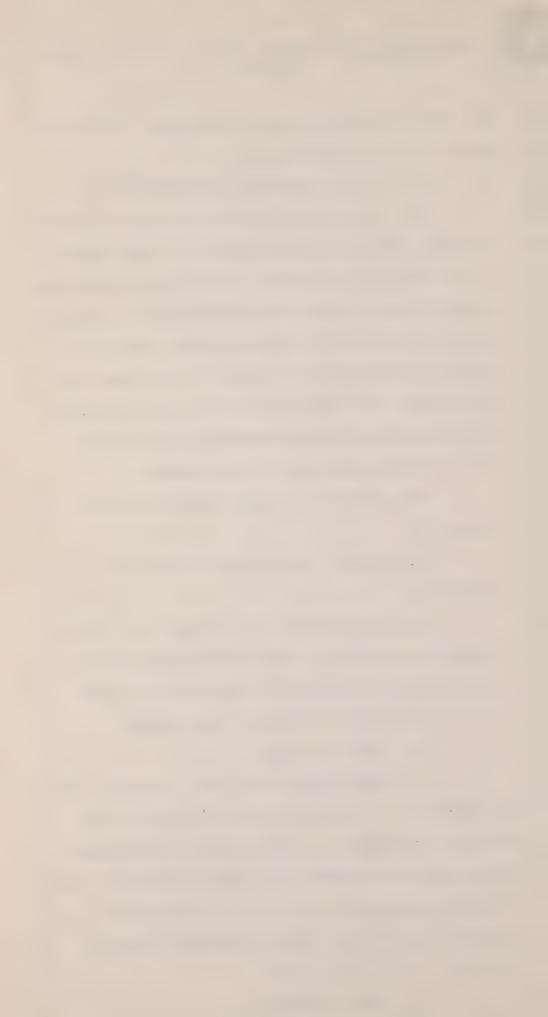
MR. FRAWLEY: No, no; that is just an observation.

Q. Mr. Roberts, this document says that the revenue from competitive rates was expected by you to provide 17.67% -- a little more than $17\frac{1}{2}\%$ -- of the \$31 million you needed to pay that wage award?

A. That is correct.

Q. And it turned out to be, of course, that you were not able to just hit that 17.67% on the nose, were you? You can look at the millions, if you like — the dollars you expected to get out of competitive rates for its contribution to the \$31.5 million that you needed to pay the wage award. The millions were $5\frac{1}{2}$ million?

A. That is correct.



Q.

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of the competitive structure you were not able to get the $5\frac{1}{2}$ million?

A. We made an estimate -- the $5\frac{1}{2}$ million represents an attrition of 50% and I would say that

But now, because of the vicissitudes

A. We made an estimate -- the $5\frac{1}{2}$ million represents an attrition of 50%, and I would say that we held pretty close to our estimate.

Q. Well, I will suggest, and most politely, the place where I think you are wrong. You fully expected and intended to apply this 17% increase to the incentive rates?

A. That is correct.

Q. And I think it must be said that you continued to expect that you would apply it to the incentive rates right down after the case was closed?

A. This is correct.

Q. And even after you had named the date for the coming into effect of the increased rates?

A. That is correct.

Q. And you found at the last minute you just had to realize and appreciate that you just could not put it on these incentive rates because you would start losing traffic?

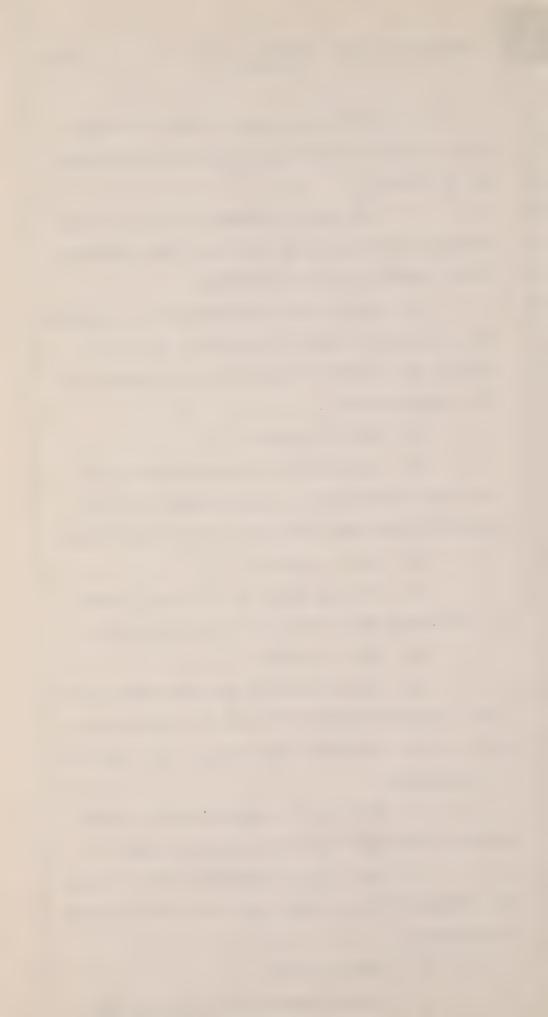
A. These are the incentive rates between

Montreal and Toronto and out in Western Canada?

Q. What I call ex-Winnipeg and my friend,
Mr. Stechishin tells me there are also ex-Calgary and
ex-Edmonton too.

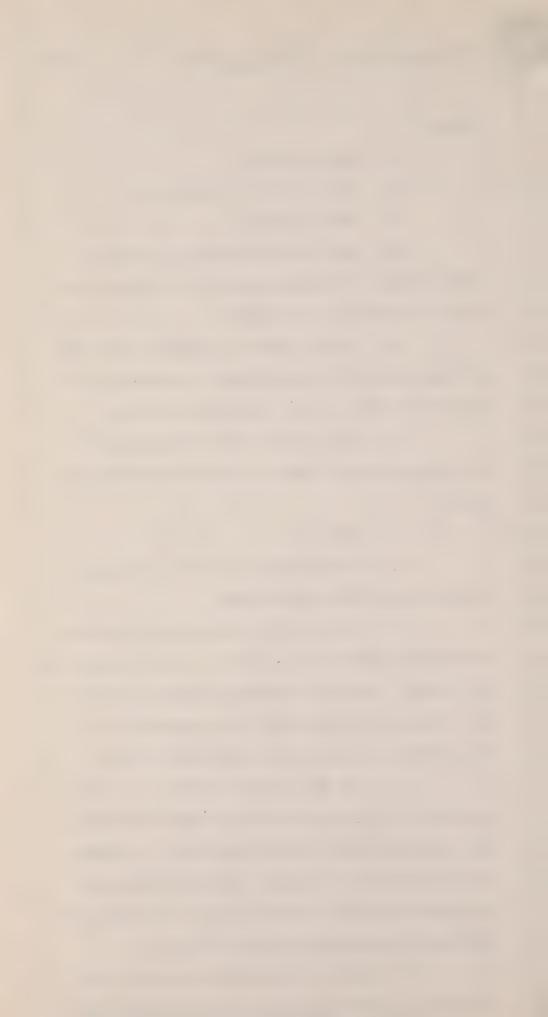
A. That is correct.

Q. And you discovered you could not put



them on?

- A. That is right.
- Q. So, you did not put them on?
- A. That is right.
- Q. So, I suggest there, be it big or little, there is the place where the 17.67% was too high an estimate to some extent?
- A. No sir, because a situation like that was taken care of in our judgment in provision for attrition of 50% -- such situations like that.
- Q. Well, you put down the figure of $5\frac{1}{2}$ million as what you expected to get from competitive rates?
 - A. Yes, sir.
- Q. And included in that was increased revenue from the incentive rates?
- A. Well, it was an assessment of what we would receive after having applied the 17% increase to all traffic, and then by reason of having to remove all or part of it from some of the movements, we would still come up with the 50% revenue yield.
- Q. But, Mr. Roberts, I find it a little difficult to follow that plus and minus arithmetic, but I certainly had it in my mind that you included in that $5\frac{1}{2}$ million a certain number of hundreds of thousands of dollars you were going to get extra from the incentive rates and you did not get it?
- A. No sir, because this represents half of what a full 17% increase would have yielded from



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competitive rates if we had held it. In other words, the full yield would be something over \$11 million. Now, we made provisions for attrition and erosion which we estimated would be to the extent of 50%, so the yield was only $5\frac{1}{2}$ million dollars. Now, this yield took into account such situations as our inability to apply the increase to incentive rates in Western Canada, incentive rates in Eastern Canada, and other competitive rates throughout the country.

- Q. What I now understand from you is that you were expecting to get \$11 million from the competitive rates?
- A. Well, sir, the theoretical yield from a 17% increase would be \$11 million if we were able to maintain the 17% increase on all rates.
- Q. . In other words, you plussed it by 11 million and minused it by half of 11 million and came up with 5½ million?
 - That is correct.
- Notwithstanding that estimate, how did 0. the $5\frac{1}{2}$ million stand up as a figure?
- A. I think. Mr. Frawley, that the figure was pretty close -- the yield was pretty close to what we estimated on the basis of samples.
- When you say it was pretty close, it Q. was almost as good -- it was not any better?
 - It was a good judgment estimate.
- In other words, if you had increased your attrition factor by a little more than the 50%



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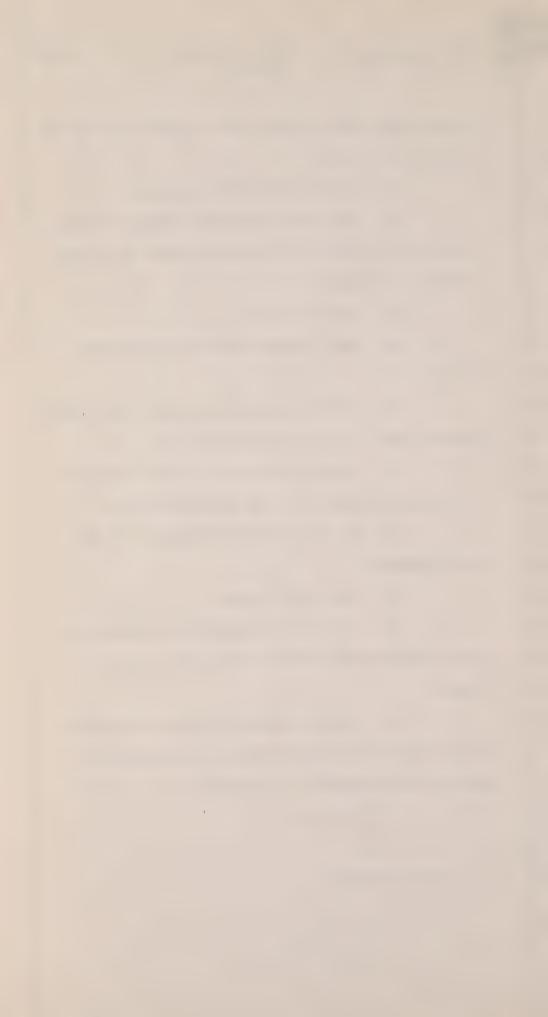
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it would have been a little more accurate, but it was reasonably accurate?

- A. It was reasonably accurate.
- Q. And then, the agreed charges were set down here to yield half a million dollars or 1 3/4% of the \$31 million?
 - A. That is right.
- Q. And I suppose that was about right, was it?
- A. We have obtained increases and I would say they were in this neighbourhood, yes.
- Q. And the reason you got the increases was by the application of the escalator clause?
- A. No: we negotiated increases on the agreed charges.
 - Q. When they expired?
- A. No, sir. We negotiated increases on agreed charges which did not carry the escalator clause.
- In other words, you got some agreed Q., charge contractors to have their rates increased during the currency of the contract?

A. Yes, sir.

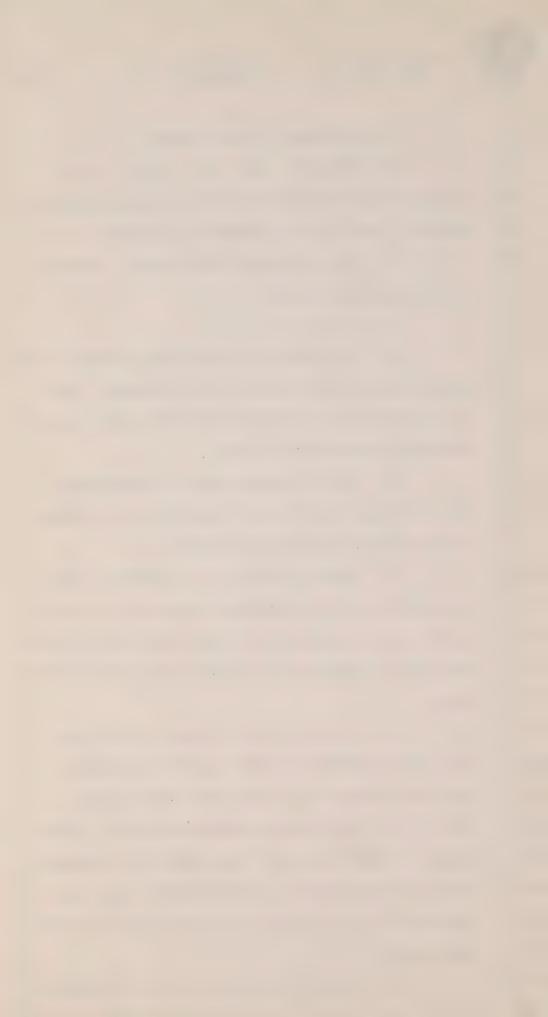
--- A short recess ---



THE CHAIRMAN: Order, please.

MR. FRAWLEY: Q. Mr. Roberts, I was asking you some questions about this table showing the estimated result of the 19 per cent increase?

- A. That is right, Mr. Frawley. We were discussing agreed charges.
 - Q. Yes.
- A. And the yield from agreed charges and the yields shown in the so-called yield statement, what we estimated would be obtained from the agreed charges containing the escalator clause.
- Q. That is how you get the increase in agreed charges, from the fact that some of the agreed charges contain an escalator clause?
- A. That is true, and in addition to that figure there have been increases negotiated in other agreed charges since then, so there would be no revenue from agreed charges than is shown in the yield statement.
- Q. Then, the final thing to look at in that famous statement is with respect to the item which was called by you people "all other freight traffic", and which can be translated into the traffic moving at class rates and at non-competitive commodity rates; that that traffic was expected to yield $73\frac{1}{2}$ per cent of the \$31\frac{1}{2}\$ million that you needed for your wage awards?
- A. That is correct, sir, that is correct, the 17 per cent increase applied to that traffic; that



was what we estimated the yield to be.

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- Q. So that the efficacy of your horizontal percentage method of increasing freight rates is pretty patently disclosed by this statement which shows that it went on 100 per cent on the class rates on the non-competitive commodity rates?
- A. It was applied, Mr. Frawley, in exactly the same manner as in connection with competitive rates, but we also had to make adjustments in the normal commodity rates in instances, and in some instances traffic which had been moving at class rates, I have no doubt we had to put in truck competitive rates.
 - Q. Just follow me ---
- A. An adjustment was made for that in that we estimated there would be an 80 per cent yield.
- Q. Yes. Now, all I am saying to you, again, Mr. Roberts, is that when you came to apply the increase which was authorized by the Board of 17 per cent, you were able to put it on the traffic which is shown on this statement as "all other freight traffic", and which I have described as "traffic moving at class rates and commodity rates, non-competitive commodity rates", you were able to apply the 17 per cent increase completely on that traffic?
- A. Completely, Mr. Frawley, but with the exception that we anticipated and knew that there would be some attrition and erosion in that traffic, so that the yield, rather than being the full 17 per cent, full 100 per cent, we estimated it would be only 80 per cent.



Q. Yes, but there were no, subject to the

fact that you might have to put some of that increase

into competitive rates, or maybe make agreed charges

with respect to it, other than that you were able to

put on the horizontal percentage increase of 17 per

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cent completely?

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move of some of the traffic to competitive rates and agreed charges by reason of our estimating a yield of only 80 per cent.

Q. Now, just let us understand you. The

A. Well, the provision was made for the

percentage of the total adds up to 100 per sent, meaning the whole $\$31\frac{1}{2}$ million you needed for the wage award?

A. That is correct, sir.

- Q. As to that 100 per cent, it is made up as follows: first, you were going to get one million four, or $4\frac{1}{2}$ per cent from the coal and coke traffic?
 - A. That is correct.
- Q. And you were going to get five million five, or $17\frac{1}{2}$ per cent from the competitive rates?
 - A. That is right.
- Q. You were going to get half a million dollars, or 1 3/4 per cent from the agreed charges?
 - A. Correct.
- Q. But you were going to get \$23 million out of the required \$31\frac{1}{2}\$ million; you were going to get \$23 million or $73\frac{1}{2}$ per cent from the class rates and the non-competitive commodity rates?
 - A. That is right. Out of \$152 million



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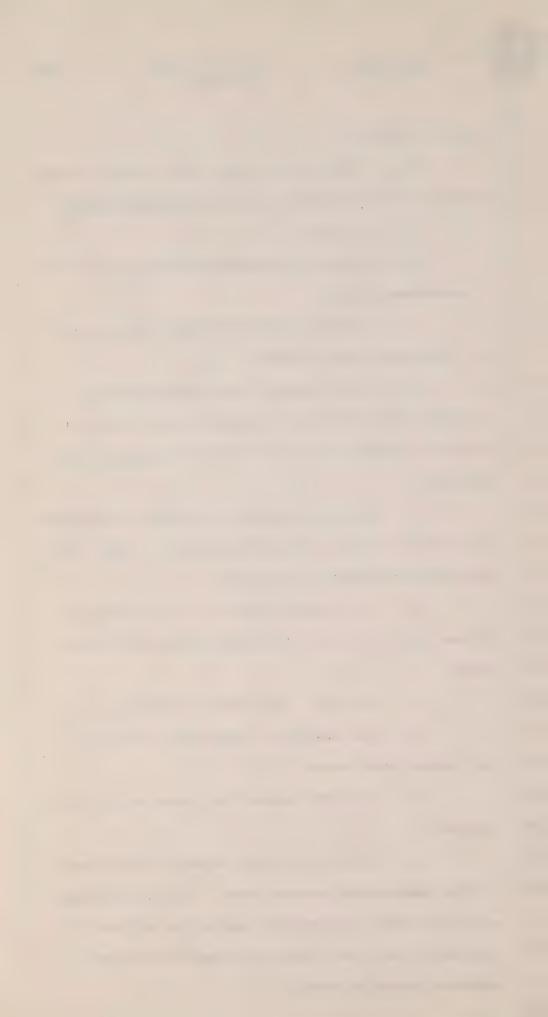
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TORONTO, ONTARIO

worth of traffic.

- Q. Yes, that is right, and you were getting nothing out of the grain moving at statutory rates?
 - No, sir. A .
- Q. And you were getting nothing out of the international rates?
- A. Because, as the statement shows, the U.S. increases apply to that.
- That being so, you were required by virtue of this horizontal increase to which you have committed yourself, you were required to apply it very unevenly?
- A. We did not apply it unevenly, Mr. Frawley. We applied it to all rates, and then had to make adjustments where we found it necessary.
- Q. You did not apply it to all rates; you did not apply one bit of it to the statutory rates on grain?
 - A. No. sir. We cannot, under law.
- Q. And you did not apply one bit of it to the international rates?
- A. Correct, because they take the U.S. increases.
- Q. I do not mind you saying it each time. I think everyone understands that. You did not apply any of it on the international rates; you applied 75 per cent of it to the class rates and the non-competitive commodity rates?
 - A. We obtained -- we estimated we would



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obtain from \$152 million worth of traffic moving at class rates and normal commodity rates, we estimated we would obtain \$23 million.

- Q. And do you think that a percentage increase method, or an increase method, an increase method which has to be, on your own exhibit -- this, after all, is basically your exhibit?
 - A. Yes, sir.

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- Q. That a percentage of increase method, which, on the face of your own exhibit, can only be applied in the fashion which this exhibit indicates, I put it to you is a completely unsatisfactory method of increasing freight rates?
- A. No, sir, I do not think that at all.

 We apply it equitably and obtain additional revenue

 wherever we can.

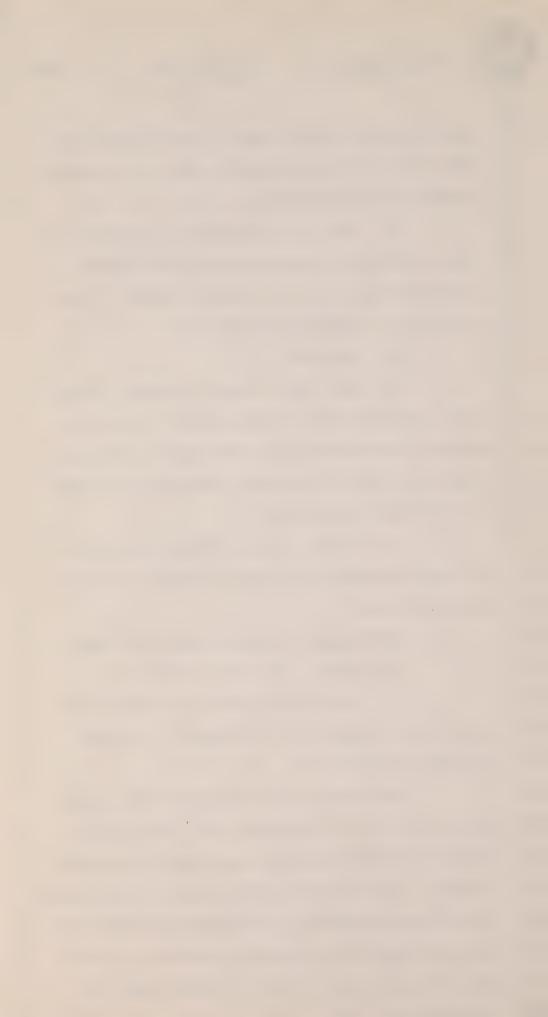
THE CHAIRMAN: We have both your views.

MR. FRAWLEY: Yes, Mr. Chairman.

Q. Now, will you look at my Exhibit 81-A.

I would like to show you how it works out in some specific instances.

Now, that is a rate statement which I would like to call your attention to, and I start off on page 1 with the ferro-alloys, and I put it to you, Mr. Roberts -- and I am putting this to you from the stand-point of the distortion in the freight rate structure and how it works out in specific instances -- in the case of ferro-alloys you have an agreed charge to Vancouver of \$1.27?



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A. That is correct.

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- Q. And on the same ferro-alloys that a steel mill in Edmonton or Calgary would have to import from eastern Canada, that comes in on a combination rate.

 It comes in on a combination of that agreed charge 109, plus either the class rate or the commodity rate backhaul from Vancouver?
- A. That is correct, according to this statement.
- Q. All right, fine. So that the Vancouver receiver of ferro-alloys from Welland, Ontario, pays \$1.27; Edmonton receiver of the ferro-alloys from Welland pays \$2.82?
 - A. That is correct, sir.
- Q. And we will put aside the discrimination which is there now: \$2.82 against \$1.27, although the haul is 700 miles -- 641 miles in your case -- shorter. And, putting that aside for the moment, but having received from the Board of Transport Commissioners an authorization for a 17 per cent increase, you increase the rate to Edmonton by 17 per cent, and you do not increase the rate to Vancouver of \$1.27 at all?

 Is that not the fact?
- A. Not in so far as the application of the agreed charge to Vancouver in the combination is concerned; it has not been increased. Now, to what extent the item 5204 of W975 was increased, well, then, the charges to Edmonton, Calgary were increased to that extent.



Q. To be perfectly fair, I am giving you

portion?

but, we understand each other well enough that you know what I am talking about. Whatever that rate to Edmonton was, that \$2.82 --
A. That is right.

Q. --- it would be increased by some part

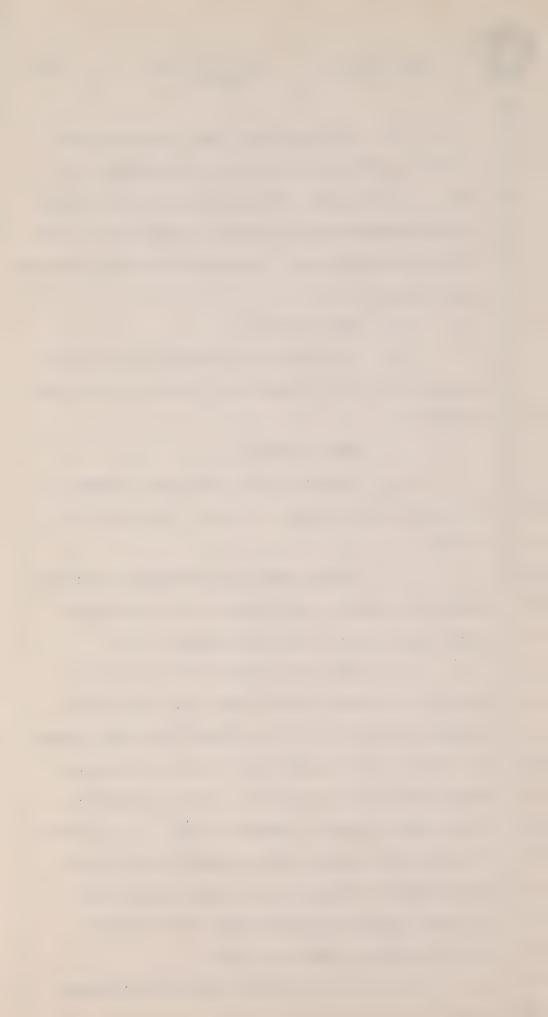
of the 17 per cent; in any event, you say the back haul

the \$2.82, and that is the rate as of September 28,

1960. So, of course, the increases are all in there;

A. That is right.

- Q. But the \$1.27 to Vancouver, because it is a contract rate, that, of course, could not be increased?
- A. Unless under negotiation with the signatories, Mr. Frawley, and subject to the competitive conditions that exist at this particular time.
- Q. Well, as a matter of fact, from this record of all agreed charges that I have here, which is Exhibit 149, I put it to you that that agreed charge was entered into in 1955; it is a 100 per cent agreed charge, and the rate is \$1.27. It was originally \$1.20, and you made an increase in 1957. So, if that tells the whole story, and I am just taking it from this statement 149, then in that case you just had to content yourself to letting the agreed charge rate to Vancouver remain as it is?
- A. If in our negotiations with the signatories we found that the competition was exactly the



same, Mr. Frawley, that rate is making a contribution,

Q. Well, now, just let me pick you up on

The rate to Edmonton at \$2.82; that is making

Q. But still you put the 17 per cent. or

I do not think we should get rid of it.

That is true, sir.

as much of it as you can on this rate that is making

a great big contribution, but you do not put anything

on the rate that, I suggest to you, is making a much

A. Because the conditions are not the

smaller contribution; namely, the transcontinental

a much greater contribution?

Α.

agreed charge?

same, sir.

that.

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Q. I realize that, Frankly, Mr. Roberts,

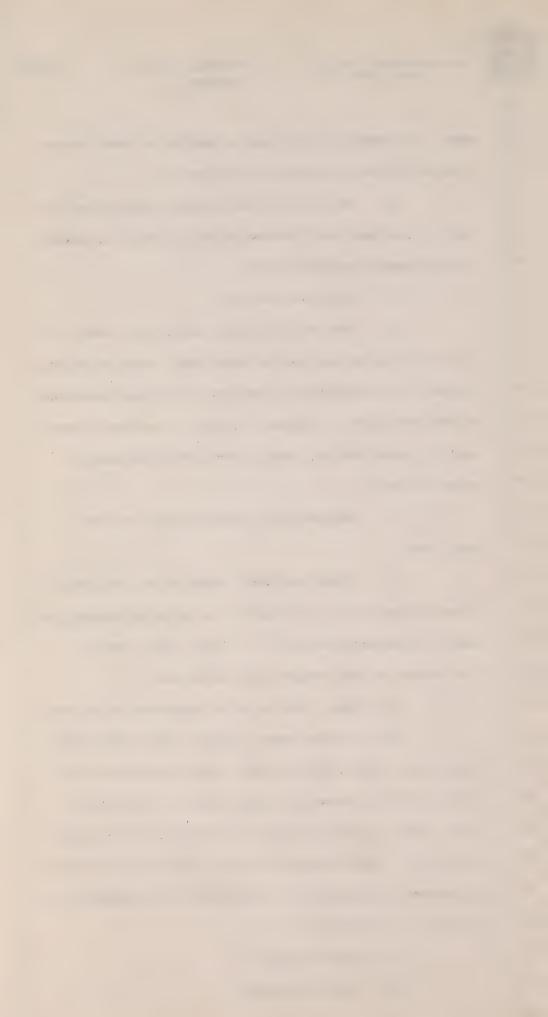
I feel sorry for you, you are in a straightjacket; you
cannot do anything about it. But, I say that is

distortion in the freight rate structure.

All right, let us go to something else, now.

Now, we turn over to page 2 and take under Compounds at the bottom, motor fuel anti-knock compound, commonly known as ethyl fluid -- tetraethyl lead fluid -- that goes out to Vancouver under agreed charge 110 from Sarnia at \$2.67, and it moves to the refineries in Edmonton -- and there are refineries in Edmonton, of course?

- A. That is right.
- Q. And in Calgary?
- A. Yes.



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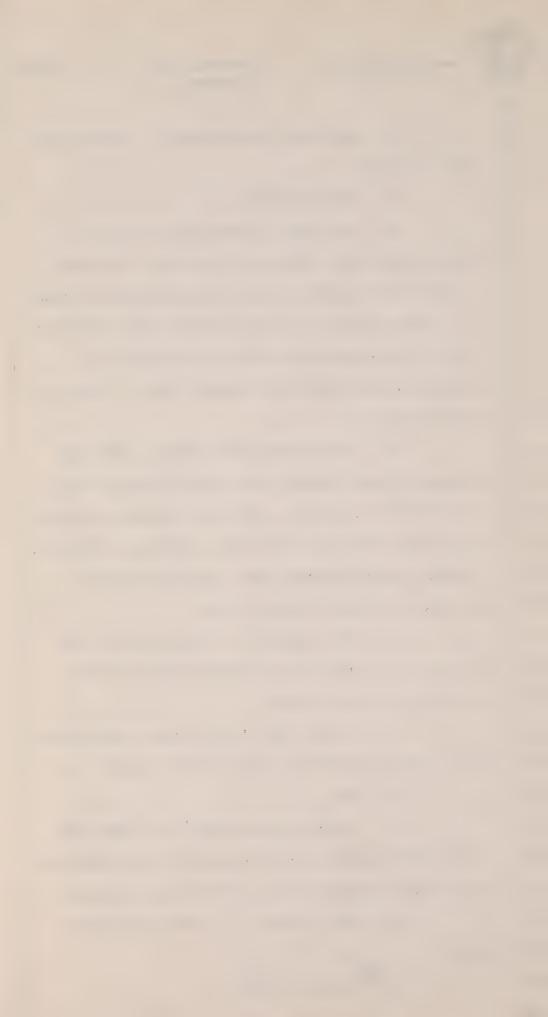
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think so, sir.

- Q. And other places there? And that goes out for \$3.83?
 - That is right.

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- Q. And, again, because that is not an agreed charge but a commodity rate C.F.A. 5-J, what is the situation here? You get an authorized increase of 17 per cent; you put it all on the rate to Edmonton, the \$3.83, but you do not put it on the \$2.67 to Vancouver because that is a contract rate. That is the situation?
- A. To the extent, Mr. Frawley, that the combination over Winnipeg, the factor making it up. receives the 17 per cent. That is a Winnipeg combination, again, and your factor from Winnipeg to Edmonton, I think, is the incentive rate item which did not have the 17 per cent applied to it.
- Q. The Calgary rate or the Edmonton rate of \$3.83 -- it is the same to Calgary and Edmonton -what do you say about that?
- A. You see, that is a Winnipeg combination. It is a rate to Winnipeg, plus a factor beyond.
 - Q. Yes?
- A. And the factor beyond is in item 5201 of our Tariff W975, and I think you will find that the 17 per cent increase is not in that range as of now.
 - Q. Just a minute. Is that an incentive
 - Q. Oh, I see. Well, that W975; that



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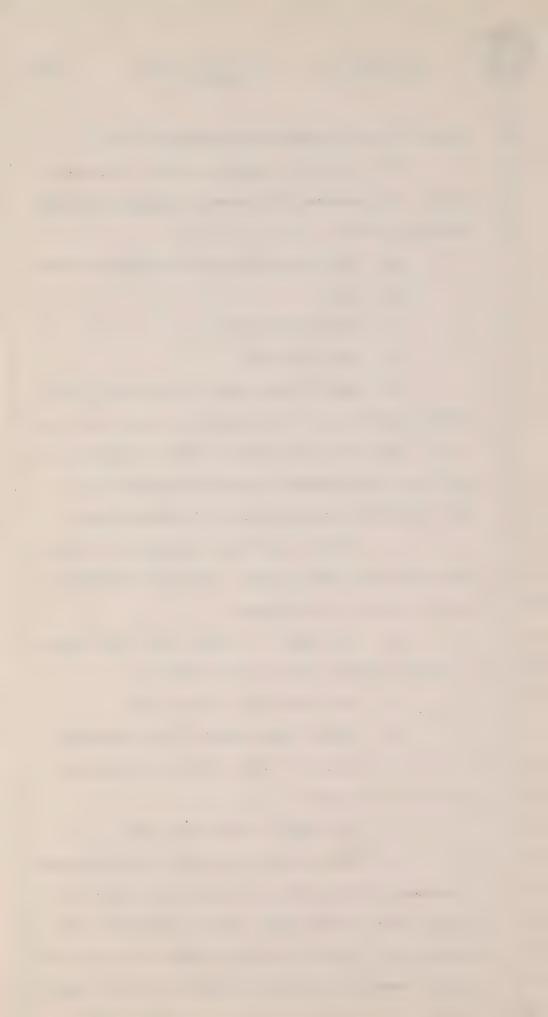
contains a lot of commodity rates; doesn't it?

- A. It is our commodity tariff in western Canada. It contains both normal commodity rates and competitive rates.
 - Q. And it contains truck competitive rates?
 - Α. Yes.

ANGUS, STONEHOUSE & CO. LTD.

TORONTO, ONTARIO

- Q. Starred as such?
- Α. That is right.
- When you say that if this rate, \$3.83, for this ethyl fluid to Edmonton was in part made up of a truck competitive rate factor, then it would not take the 17 per cent increase for the reasons that you and I have been just discussing a few minutes ago?
- In this particular instance, I do not think the 17 per cent increase applies is connection with the factor from Winnipeg.
- Q. All right. But the factor from Sarnia to Winnipeg, CFA5J, that took the increase?
 - That took the increase, yes.
- Whatever the amount of the increase. So, you are telling me it was necessarily something less than 17 per cent?
 - A. In respect to the total rate.
- In so far as looking at the contribution to overhead made by those two rates; one, \$3.83 to Edmonton, and the other one, \$2.67 to Vancouver, the Vancouver rate took no increase because you could not; it was a contract rate, but the rate to Edmonton took as much as you could give it -- at least, the whole of



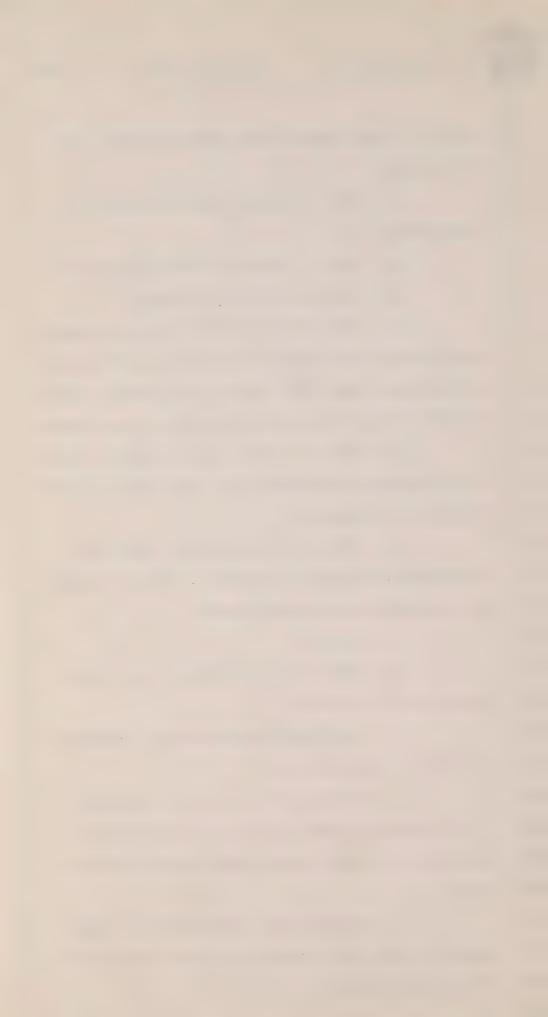
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A. That is correct, and the traffic is still moving.

the rate, except the part that was competitive took

- Q. Fine. And you -- what did you say?
- A. The traffic is still moving.
- Q. The traffic is still moving, and that is moving because they need anti-knock to give the people of Alberta good gasoline, and for some reason or other they are willing to pay you \$3.83 to get it out there?
- A. That is correct, and we are also obtaining a contribution from the \$2.67 from Vancouver which we would not otherwise.
- Q. Can you tell me what the comparison between the contribution of \$2.67 is making as against the contribution the \$3.83 is making?
 - A. No. sir.
- Q. But the \$3.83 is making a much better contribution to overhead?
- A. I would say it was making a better contribution to overhead, yes.
- Q. You apply this horizontal percentage

 -- this excellent system you are telling us about -you apply it in one case and cannot apply it in the
 other?
- A. We apply it in one case and we cannot apply it in the other; that is just one of the facts of life, Mr. Frawley.
 - Q. That is one of the facts which are part



Well, there may be others, as we go along.

Q.

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Q. And, now, we look up and see what that

and parcel of this distorted discriminatory freight rate system.

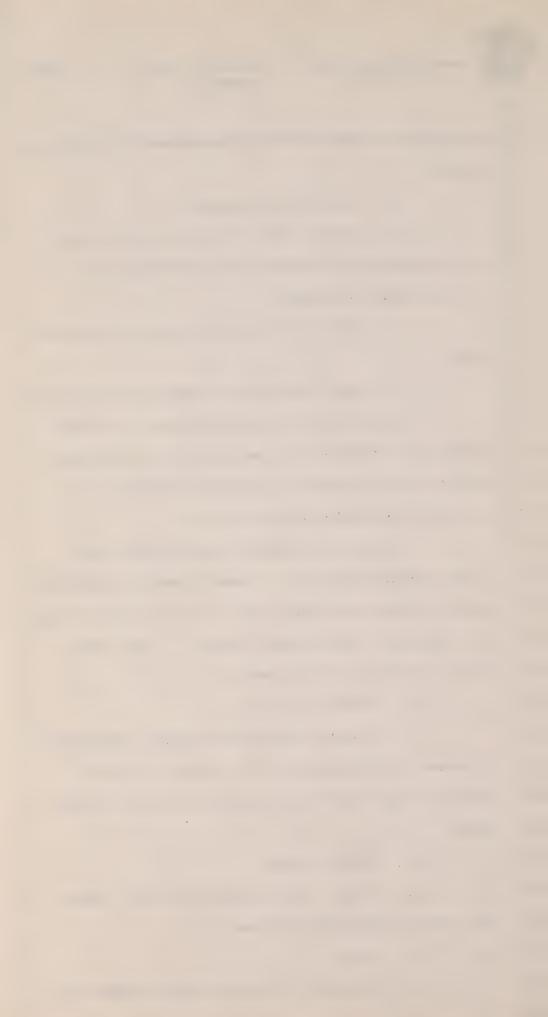
- A. Faced by any business.
- Q. Faced by this business, and it is the only business at the moment being investigated by the Government of Canada?
- A. Yes, but it is not peculiar to the rail-ways.
- Now, I come to another item, and I am only coming to it because it is on page 5 of my statement, and if it were not there I would not mention it,

If you look at page 5 you will find this at the bottom of the page - that is where it should be, on the bottom of the page, as far as the Edmonton rates are concerned, in the nether regions. Now, skelp moves to Vancouver for 95 cents?

A. That is correct.

because we certainly talked about it.

- Q. And it moves under an agreed charge and it moves to Edmonton where it is needed; it is an essential ingredient in the making of gas and oil well pipe?
 - A. That is right.
- Q. Fine. And Edmonton pays \$1.55; that is the best rate that Edmonton has?
 - A. Yes.
- is, yes. That is not an agreed charge, that is a



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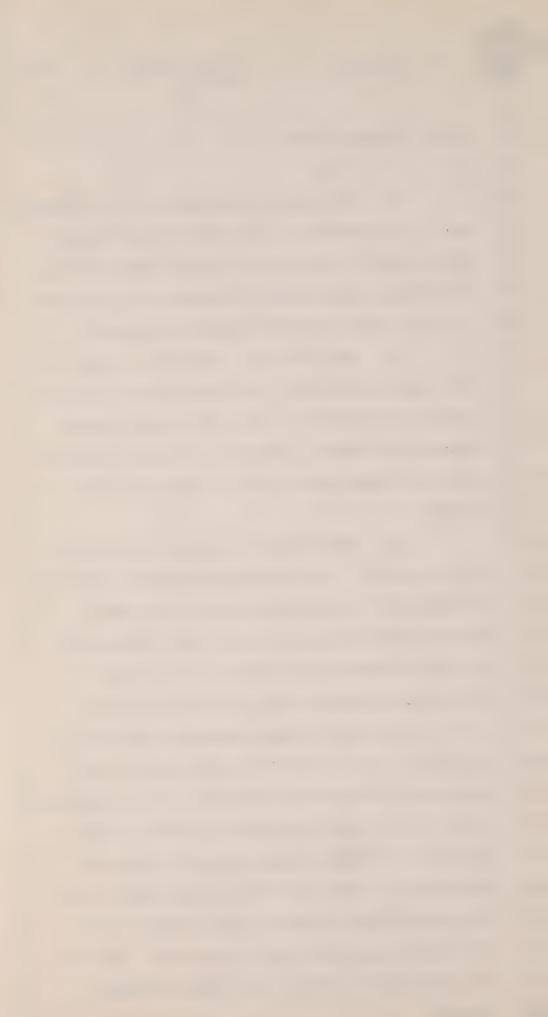
special commodity rate?

A. It is.

Q. So, again, having received the authorization of the Board for a 17 per cent freight rate increase to pay the wage award, you take none of it from the 95 cents, and you take 100 per cent of it from the \$1.55 that takes the same material to Edmonton?

A. That is right. Each rate was put in to meet certain conditions. The one rate was to meet import competition cut to the coast, and the rate to Edmonton and Calgary -- Edmonton, primarily -- was put in to meet competition of skelp coming from other sources.

Q. There is not any doubt about that, Mr. Roberts, at all. I am talking about what I might call the impossible situation in which you are faced when the Board gives you an authorized increase and you have no better way to apply it than by the horizontal percentage method, and when you have so much of your traffic, as the statement we have been discussing shows -- when you have so much of your traffic shut off from any possibility of being increased then I say that when you persist in putting in the horizontal percentage increase where it only puts distortion on distortion, that you would stop. As the general traffic manager of the Canadian Pacific Railway, you would stop, and you would say, "This is so patently unfair that we must find some better system."





ANGUS. STONEHOUSE & CO. LTD. Roberts, cr.ex. (Frawley)

A. Mr. Frawley, we consider and I consider that the horizontal percentage increase is equitable --

Q. You see ---

MR. SINCLAIR: Let him finish.

MR. FRAWLEY: Q. I will let him finish, certainly I will let him finish. I would always let Mr. Roberts finish, perhaps some others I would quarrel with but you finish, Mr. Roberts.

A. We think this is the most equitable way of applying the increase and it applies equally and proportionately to all shippers. because of competitive conditions we cannot obtain the increase in full from some traffic but in other comparable rates we are able to obtain at least a portion of the increase.

Q. You see, you wont agree that however meritorious the horizontal percentage increase might have been that now with this distorted freight rate structure with all these agreed charges coming in just like a blizzard every month where you cannot put in any increases that are authorized, you still hold fast to the validity of the merit of the horizontal percentage method?

- A. That is right.
- Q. That, if you do not mind my saying so, is the issue between you and me and it is the issue that this Commission has got to come to grips with.
 - A. It is an issue they will consider.
- Q. Just one more and I will quit. This is a case of examples and on page 86 of my statement







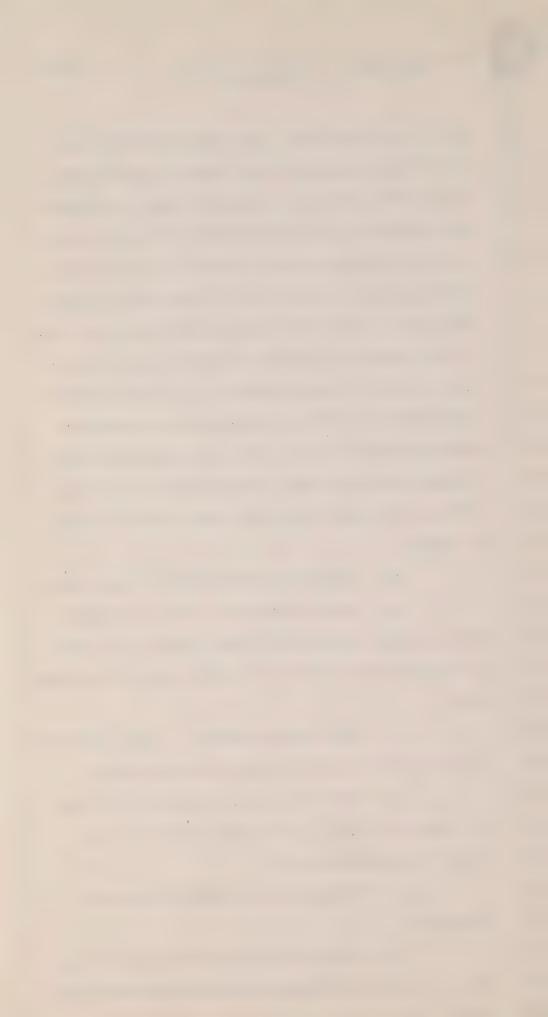
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Q. Suppose that rate was at \$1.40 at the time you got your increase, you do not waste any time looking at those agreed charges, that is, they are in

81A you will find "wire, rope and strand" and there we find that you have a rate under an agreed charge to Vancouver of \$1.40. I know why that is so and we do not have to go into that because it is there and it is the best rate you could get and it is just fine.

I have no desire in the world to take that away from the people of Vancouver because it is there and it is \$1.40. However, my people in Edmonton pay \$2.95 for the same wire, rope and strand. As if that was not bad enough, as if the contribution to overhead was not sufficiently obvious, you come along with a 17% increase which you have just received from the Board and you say to the \$2.95 rate "100% of that 17% goes on there"?

- A. We obtain what we can from every rate.
- Q. And then when you come to the \$1.40, however much it might grieve you, you say, "I cannot do anything about that \$1.40 because that is a contract rate"?
- A. After having examined the competitive conditions under which the contract was entered.
- Q. You do not examine anything, you look at it and say that it is an agreed charge and you cannot do anything about it.
- A. We negotiate for agreed charges and contracts.





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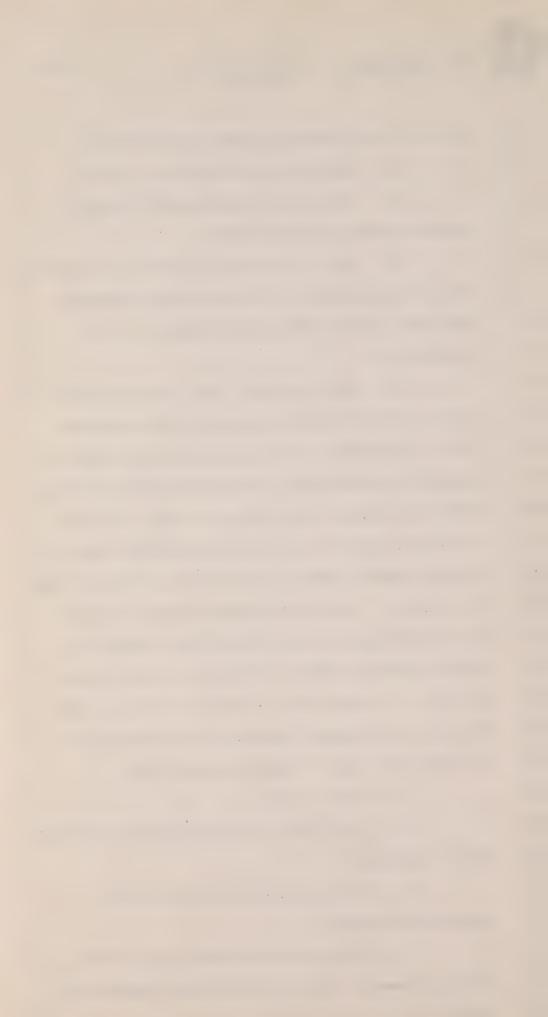
Q. You know you cannot put it on. yo

force as of the date the increase is authorized.

- Q. You know you cannot put it on, you cannot stop them and renegotiate?
- A. No, it is not put in as of the effective date of the increase but the negotiations continue after that towards getting an increase if it is possible.

How do you mean "waste any time"?

- Q. That is right. Now, just looking at the record and we find by looking at this statement 149 -- I was wondering if I was just wasting time in having this prepared as to whether it would be of any value but I think it will be now of value -- if you look at the complete record of agreed charges you will find that agreed charge 131 that went in in 1955. That is on page 11. You see the agreed charge 131, iron and steel articles, wire rope and wire strand from various Ontario origins to Vancouver and the date is 28/7/55 -- I suppose that is July 28 -- that is 100%. That was a good agreed charge and its destination is in Vancouver. Now, it started out at \$1.30?
 - A. That is right.
- Q. And in 1957 on the 28 of May you brought it up to \$1.40.
- A. That is correct, we were able to negotiate an increase.
- Q. That was a good effort, you got that up 10¢. However, when you got that last increase in 1958, you could not touch it at all, it was \$1.40 and



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freight rate structure, you are applying your horizontal percentage increase to rates that are 28 making no contribution to overhead and not applying 29 it to rates that are making small contributions to 30

- it is \$1.40. I am calling your attention to page 61 of exhibit 81A. That confirms what I have -- you are ready to agree with me that you could not do anything at all about the \$1.40, you had to leave it as it is making its contribution as much as it is. However, you went to the \$2.95 in Edmonton and put that up by 17%?
- That is correct. That was the situation as of December 1st, 1958. I am quite sure that that agreed charge is included with all other agreed charges in which negotiations have been or will take place towards getting an increase.
- Q. Well, that may be. Your statement is of May 24, 1960, and I did file an addendum the other day but at least since 1955 up to date you have been able to -- if you have something more recent let me know?
 - A. No.
- Q. Since 1955 to date in five years you have been able to get a 10¢ increase in the agreed charge to Vancouver and you say that that shows the strength of the competition.

necessarily, because of the discrimination of this

But my complaint is that you are

A. That is right.



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price increase. Let us assume wages increased 20% and that requires a price increase of 20%? 30

overhead.

A. May I say that if we did not have the contribution from agreed charges like this one we are discussing that the situation would be different, more so than is today in that we require now to get that additional money that the agreed charge is returning to us.

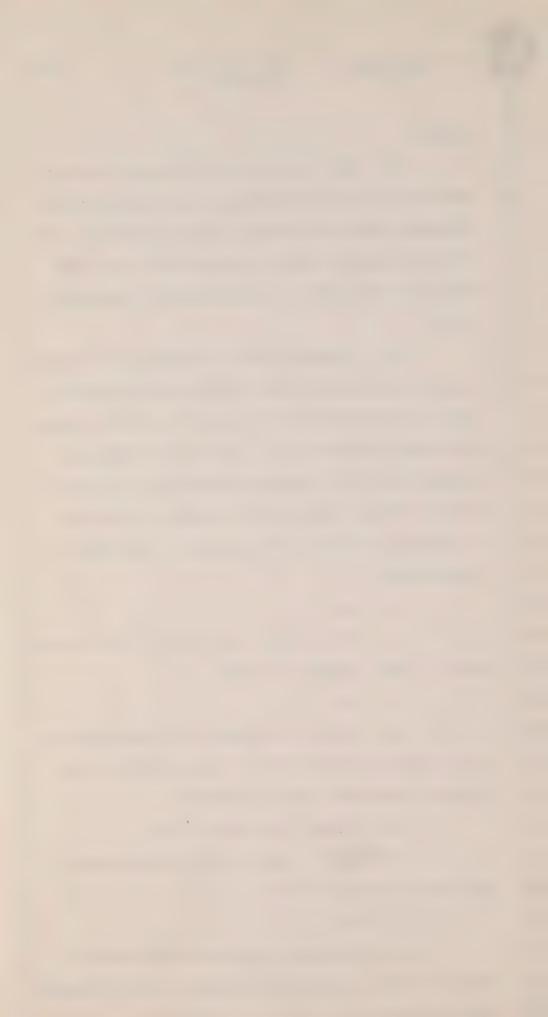
- I suppose that is a matter of arithmetic. Now, Mr. Roberts, you have a little story on page 8 about the department store and I was a little troubled about what your point was. I just took a couple of instances to see if I understand what you are saying. Take two things, take the first example of a mark-up of 100% and let us call that a piece of furniture, a chesterfield?
 - A. Yes.
- Q. And you have a cost of \$100 and a selling price of \$200, a mark-up of 100%?
 - A. Yes.
- Q. And take something else that could only stand a mark-up of 50%, let us take something in the clothing department, say, an overcoat.

MR. SINCLAIR: That costs \$100?

MR. FRAWLEY: Yes, and the selling price is \$150 with a mark-up of 50%.

Q. The wages increase and that requires a

A. Yes.





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A. Yes.

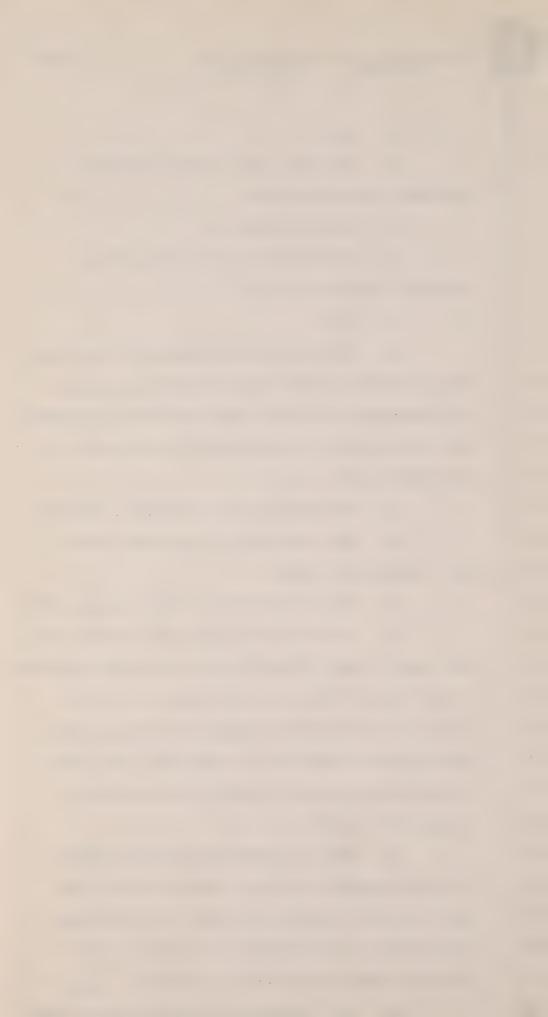
- Q. Then the price of the chesterfield is increased from \$200 to \$240?
 - A. That is right.
- Q. And the price of the overcoat is increased from \$150 to \$170.
 - A. \$180.
- Q. Now, that is the arithmetic behind us.

 Now, you putting to the Commission that you do not

 think there will be as much sales resistance generated

 from the increase from \$200 to \$240 as there will be

 from \$150 to \$180.
 - A. It depends upon a demand, Mr. Frawley?
- Q. The elasticity of the demand that we were talking about before?
 - A. That is reflected in the original price.
- Q. I do not want to know why you went into this question about the ability to take a price increase. I would suggest that the person going in to buy the chesterfield and finding the price has gone up from \$200 to \$240 will have just as much sales resistance as a person going in and finding the overcoat was up from \$150 to \$180.
- A. Well, of course, the fellow going in to buy the chesterfield would look at the price and see it is \$200. He might have some sale resistance but he needs the chesterfield and so he buys it. I think the answer applies also to the \$240.
 - Q. Yes, and if he put off the purchase and



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came back six months after and found it had gone from \$200 to \$240 he would have just as much sales resistance as the man who put off buying the overcoat and found in the interval it had gone up from \$150 to \$180.

- A. We are facing things like this in the department stores ---
- Q. The Canadian Pacific has not started operating, department stores?
 - A. No, sir.
 - Q. Well, they have a little of everything else and I just wondered. Let us get on and turn to page 12 and you say there at the bottom of the first paragraph very boldly and courageously that if an agreed charge is not making a contribution to constant costs then it is terminated.
 - A. That is right. Well, it should not be there at all if it is not making a contribution.
 - Q. Well, it was there and then conditions change.
 - A. That was the situation.
 - Q. And when you discover this it ceases.

 I do not want to improve on this language which you

 wrote and which I am sure my friend, Mr. Sinclair, went

 over with a fine tooth comb but, in any event, you say

 that if it ceases to make a contribution to overhead

 then you terminate it.
 - A. That is right, sir, unless we can get an increase in the contract.
 - Q. Yes, but if you have a sales resistant

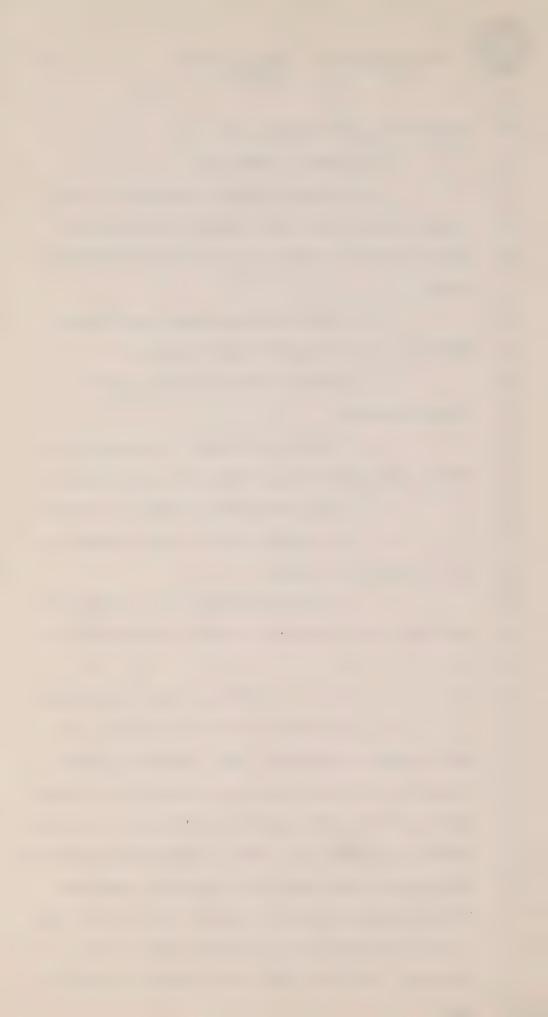


not?

ANGUS. STONEHOUSE & CO. LTD. Roberts, cr.ex. (Frawley)

shipper you just terminate it?

- A. That is right, sir.
- Q. And one instance you could tell the Commission about was that you did something about agreed charges on fuel oil in Southern Saskatchewan in 1960?
- A. Crude oil from places like Midale,
 Weyburn in Saskatchewan to Fort William.
- Q. What are you doing moving crude oil in Western Canada?
- A. What are we doing? We started out to make a dollar by moving it under this agreed charge.
 - Q. You started kind of late to moving it.
- A. No, we just moved a lot of crude oil under competitive rates.
- Q. Why did you not build the pipeline in the first place instead of letting the Americans do it?
 - A. That is something outside my province.
- Q. You have a pretty big province, you have the whole department. Now, looking at agreed charge 57, and that is an agreed charge that is worth looking at from the standpoint of what you can do or cannot do or should do. That is the agreed charge that carries cast iron pipes from Toronto and some from Trois Rivieres to British Columbia and you have 100% of that business so you must think that is good business. You have 100% of that business, have you



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A. Yes, sir.

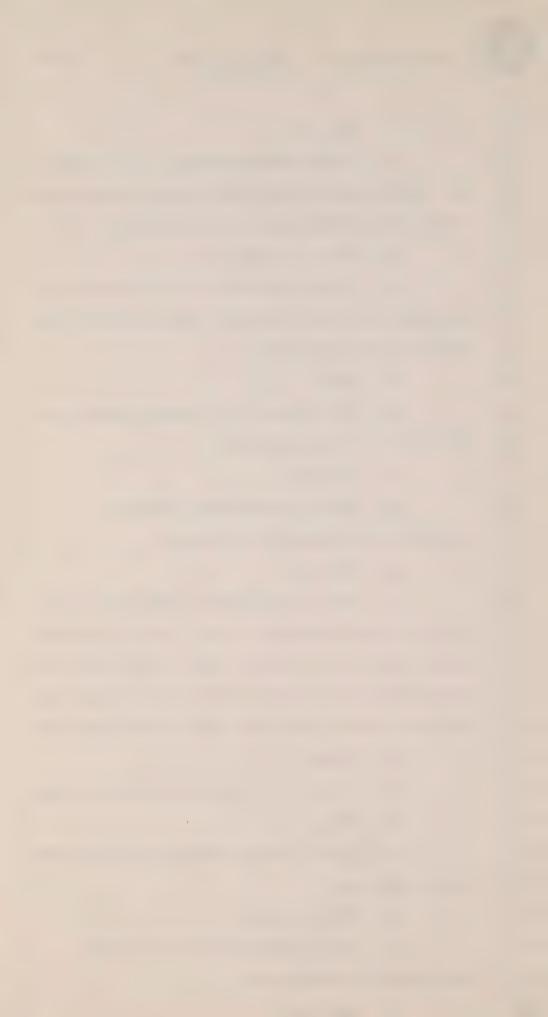
- A. Yes, sir.
- Q. Under agreed charge No. 57, you made that agreed charge in 1953, and you have not been able to make one cent increase in it since then?
- A. That is right.
- Q. There have been a lot of increases in cost, have there not, since 1953? 1953, that is eight years old, that agreement?
 - A. Yes.
- Q. But you are still carrying 100% on it and it has not been terminated?
 - A. We are.
- Q. And do you know what amount of contribution to overhead it is making?
 - A. No, sir.
- Q. Well, I was curious enough and I took

 it out -- that is exhibit 161 now. That is an agreed

 charge where you get \$1.18 for what you haul from Trois

 Rivieres and \$1.10 for what you haul from Toronto and

 your out-of-pocket costs from Trois Rivieres are 82½¢?
 - A. Right.
 - Q. So you have a difference there of $35\frac{1}{2}$ ¢?
 - A. Yes.
- Q. I put it to you that you certainly have not got $35\frac{1}{2}\phi$ now?
 - A. That is right.
- Q. Do you think you are getting any contribution to overhead now?
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ckly?										

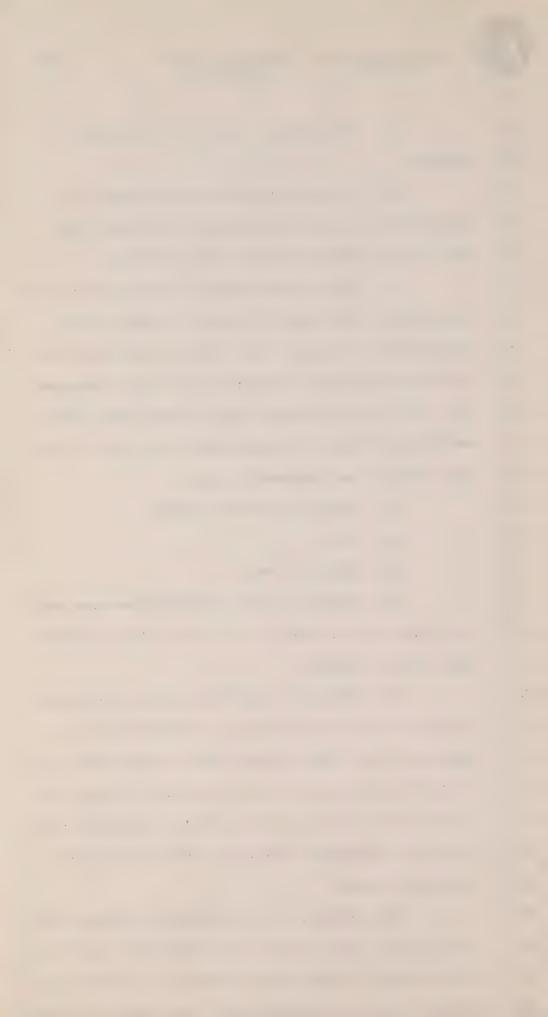
- A. I am quite sure we are getting a contribution to overhead from the revenue that you would obtain from a carload of this material.
- Q. Let me just ask you something else about this exhibit: you know, of course -- and I am not going to read it again -- you know Mr. Barnstead when he was describing this exhibit on the 9th of November, 1953, in the cast iron pipe agreed charge case before the Board of Transport Commissioners said that it had been costed on an incremental basis?
 - A. On an incremental basis?
 - Q. Yes.

MR. SINCLAIR: Well ---

MR. FRAWLEY: Unless my friend has some very good reason for his "well ---" I would like to pursue this with the witness.

MR. SINCLAIR: The factors are in the costs, and what Mr. Barnstead meant by "incremental" is all explained, and if the witness wants to know what it is, I think it is my duty to tell him, and, of course, he has the right to ask my friend, "What do you mean when you say Mr. Barnstead said that it was costed on an incremental basis?"

MR. FRAWLEY: Q. Mr. Roberts, at page 16769, coming down to more recent times than 1953 -- that was the other day, on the 13th of October -- I read to Mr. Harries from the transcript when I was showing him that



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exhibit, which was exhibit No. 8; that was Mr.

Barnstead's exhibit 8 in the cast iron pipe case, and

Mr. Spence was examining him, and I will read it again,

and only because of Mr. Sinclair's request:

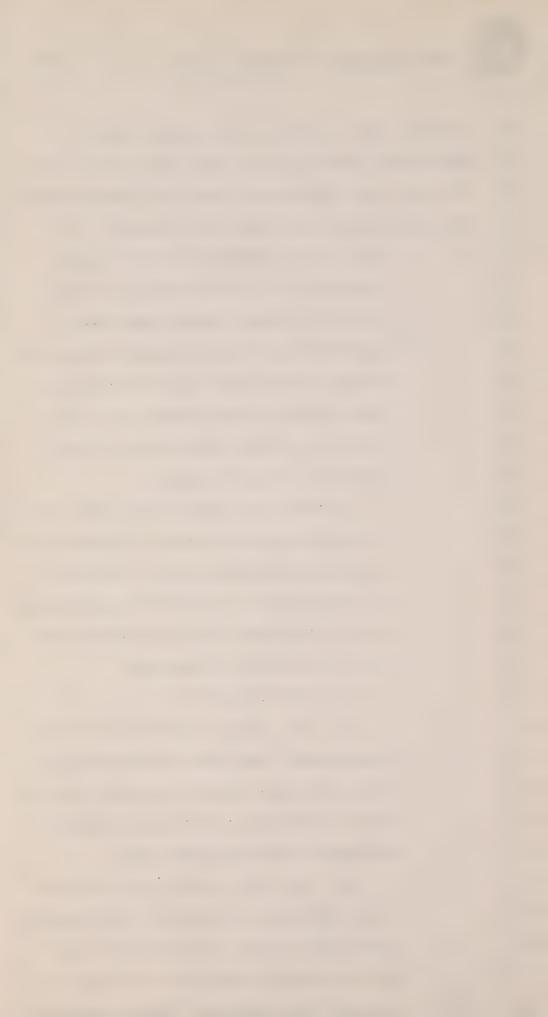
"Q. Now, Mr. Barnstead, you will explain
Exhibit No. 8. In the first place it is
expressed in cents per 100 pounds and it
appears to show the relationship between the
proposed revenues and the out-of-pocket
costs and the proposed revenues and the allinclusive costs for the movement of this
pipe under the agreed charge.

'In the first place, in the first line of the figures you have shown the revenue as per proposed agreed charge, which I understand is the rate that is fixed by the agreed charge of \$1.18 from Three Rivers to Vancouver and \$1.10 from Toronto to Vancouver?

A. That is correct.

'Q. Yes. Then, the next line is the out-of-pocket costs which are shown as $82\frac{1}{2}$ cents from Three rivers to Vancouver and 73.3 cents from Toronto to Vancouver. What do you mean by out-of-pockets costs?

'A. The out-of-pocket costs are those costs that can be considered to vary directly with traffic moved. In other words, they are the expenses that would be incurred on account of the additional traffic that would



man.

be moved.

'Q. And they don't include any allowance for overhead?

'A. They do not include any portion of constant costs.

'Q. Constant costs?

'A. Yes.

'Q. They are purely ---

'A. The figure that could be considered the cost of the company that would be incurred with this additional traffic, with the movement of cast iron pipe."

Now, was I wrong in applying the adjective "incremental"?

MR. SINCLAIR: You certainly were.

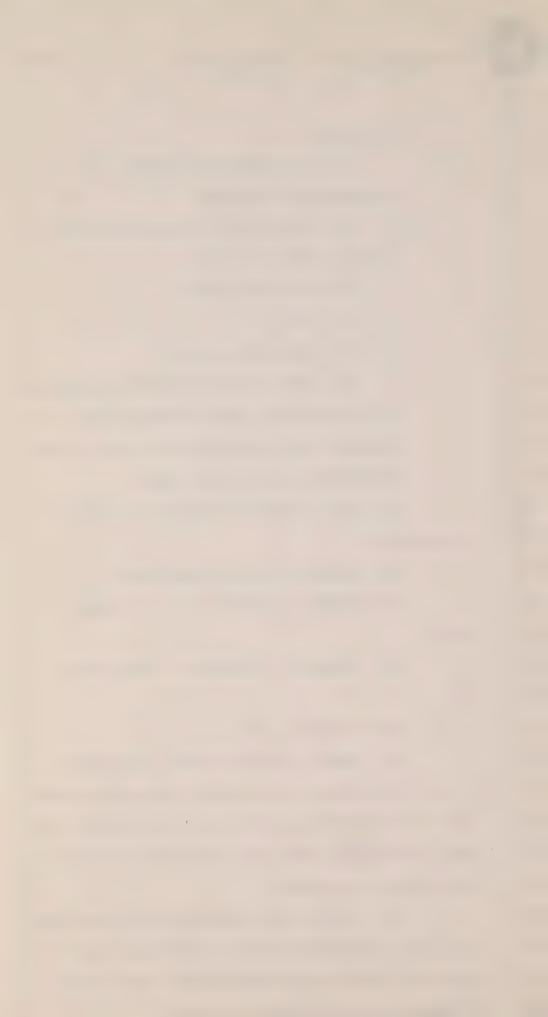
THE WITNESS: I think it is in the same sense.

MR. SINCLAIR: Mr. Roberts is not a cost

THE CHAIRMAN: No.

MR. FRAWLEY: But Mr. Roberts purports to be able to say what he thinks about this agreed charge, that it is now making a contribution to overhead. It made $35\frac{1}{2}\phi$ in 1953, and he says it is still making a contribution to overhead.

Q. I have some other questions to ask you about this. Having heard what Mr. Barnstead said, and having looked at the agreed charge, what is the allowance in there for cost of money?



ANGUS. STONEHOUSE & CO. LTD. Roberts, cr.ex. TORONTO. ONTARIO (Frawley)

- A. I do not know.
- Q. I put it to you there is nothing in there for cost of money?

A. I do not know what is behind it.

THE CHAIRMAN: He does not know.

THE WITNESS: I do not know what is behind the figures -- the components that went to make up the figures.

MR. FRAWLEY: Q. Maybe it is just some averaging of the out-of-pocket costs -- ton-mile out-of-pocket costs?

- A. I do not know.
- Q. It could very well be that?
- A. This is what you are suggesting; I do not know.
- Q. Have you any reason for disagreeing with my suggestion that, first of all, it does not contain anything for cost of money?

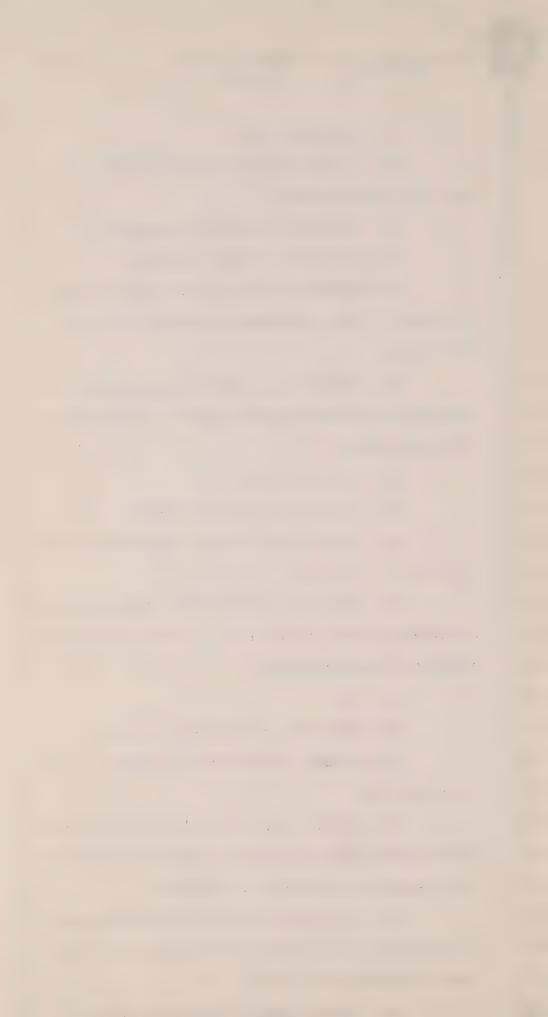
A. No.

THE CHAIRMAN: He just does not know.

THE WITNESS: This is not my field. I am not a cost man.

MR. FRAWLEY: Q. Except you ventured to say a few minutes ago you thought this cast iron pipe was still making a contribution to overhead?

- A. In evaluating the revenue that would be received from a carload of this pipe, which is in the neighbourhood of \$1,000.
 - Q. If you thought it was not making a



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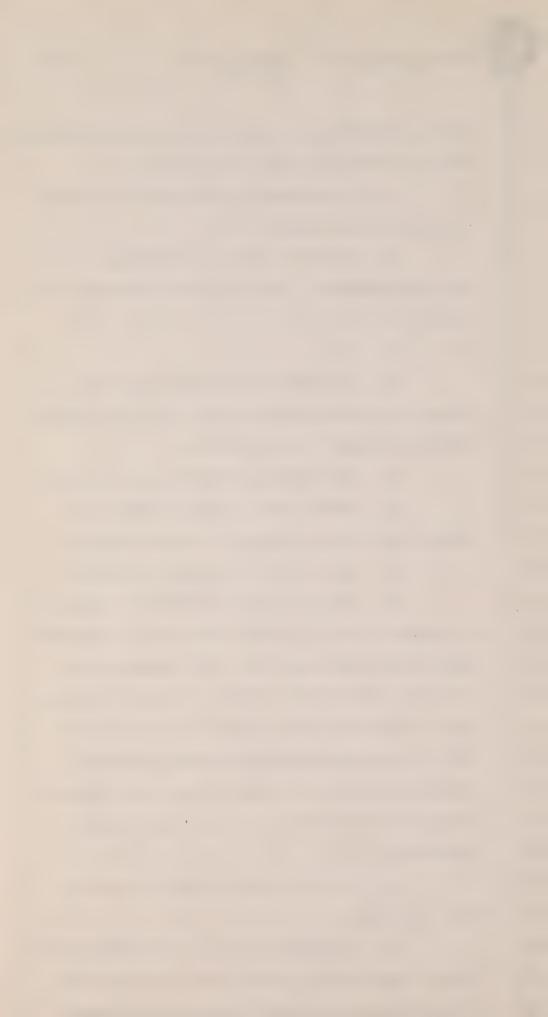
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proper contribution, you would simply ask Mr. Barnstead s office to bring his exhibit 8 up to date?

- A. After examining the situation, and we are doing that regularly.
- Q. But you would not be examining it from the cost standpoint. You would ask Mr. Barnstead to do that?
 - A. Yes.

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- And you would expect Mr. Barnstead to let you know pretty expeditiously -- give you a pretty expeditious answer to your question?
 - A. He answers as expeditiously as he can.
- And he does not take as long as Mr. Stenason took to cost the grain in Western Canada?
 - A. Well, that is a different problem.
- That is why it is different, because in Mr. Stenason's cost of moving grain there is something there for cost of money. Would you disagree with me if I put to you that Mr. Barnstead seeking to justify the \$1.18 rate from Three Rivers to Vancouver on the cast iron pipe was costing down and Mr. Stenason seeking to justify the Canadian Pacific application to the Government of Canada for a tax concession was costing up?
- I am not going to agree to any such thing like that.
- Q. I suggest to you it is perfectly obvious that Mr. Barnstead was costing down and endeavouring to show as well as he could that the cost of moving



this pipe to Vancouver was low and that therefore a contribution to overhead was being made, and that Mr. Stenason's job was to show that the Crows Nest rates were not providing any revenue and were not even matching revenues?

- A. I am not agreeing to that, sir.
- Q. You are not agreeing that Mr. Barnstead was endeavouring to show the out-of-pocket costs were low?
- A. He was endeavouring to develop the figures in accordance with the techniques used at that time, I am quite sure, and Mr. Stenason, likewise, was doing the job to the best of his ability.
- Q. And this is the pipe which, according to the statement exhibit No. 145, is returning seventenths of a cent per ton-mile -- seven-tenths of a cent per ton-mile?

COMMISSIONER GOBEIL: Mr. Frawley, may I ask you a question?

MR. FRAWLEY: Yes.

COMMISSIONER GOBEIL: If a third party of
consumer products would have doubt as to whether this
rate is compensatory or not, would he go to the Board
of Transport Commissioners and force them to investigate
the rate as to costs?

MR. FRAWLEY: I would agree with everything except the word "force". He would ask them to make an investigation, that is right, sir.

COMMISSIONER GOBEIL: And they would have to



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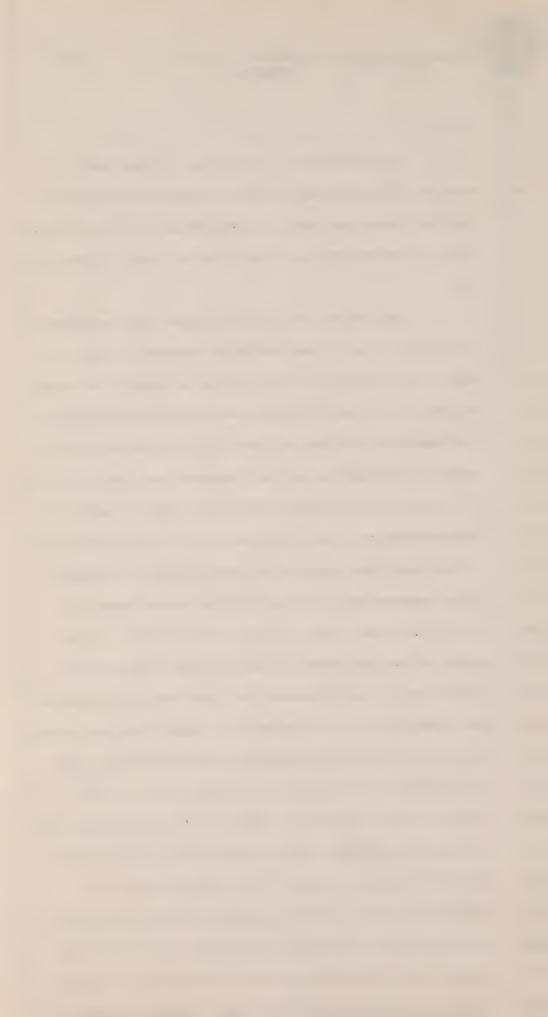
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do it?

MR. FRAWLEY: I think so. I have read section 334 many times, and I am always surprised by the fact there are really no sanctions in it; but, that does not matter too much and I think I would agree with you.

My friend, Mr. Sinclair, has just mentioned something to me: I was making an answer to you, sir. and I was thinking of this rate as a competitive rate. but this is an agreed charge and now you have to go to the Transport Act and you have to go those weird and wonderful provisions in the Transport Act that tell you if you have any complaint about that rate -- well, my interpretation of the Transport Act is, sir, that if I feel that that particular agreed charge is ceasing to be compensatory, or that for any other reason it should be looked into, I would like you, sir, to be aware of the fact that you have to then look at the provisions in the Transport Act, and the provisions in the Transport Act with respect to agreed charges, thanks to the report of the second Turgeon Commission, when the railways ran away with the Commission ... The second Turgeon Commission started out as an attempt to find out why the one and one-third rule could not be applied to agreed charges. It already applied to competitive rates, but the railways came in and they brought people from England and made out a case they should have much more freedom in the making of agreed charges, and they have got so much freedom now that if

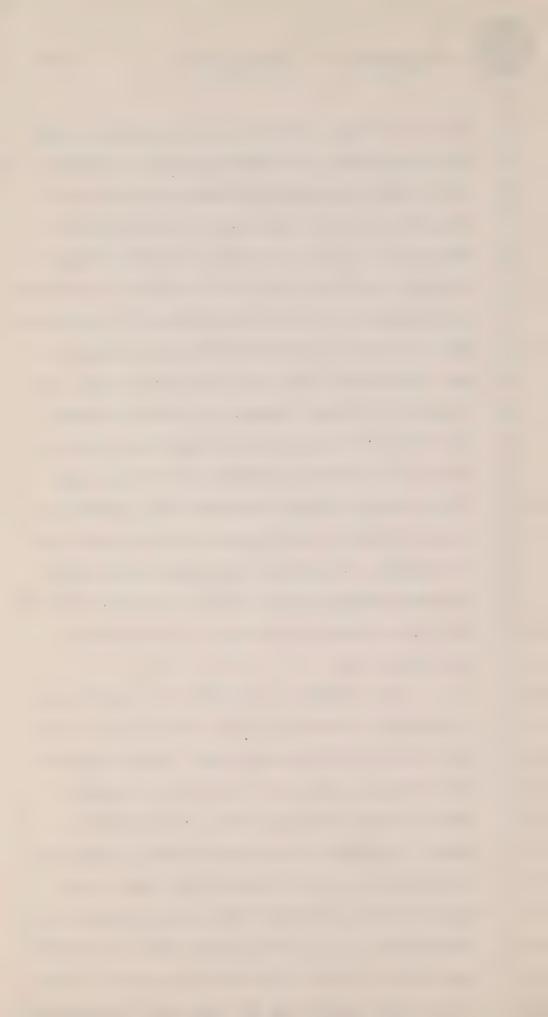




you want to make a complaint against an agreed charge you have to apply to the Governor General in Council and if he feels this particular agreed charge is not in the public interest -- and that is a pretty large expression -- if he feels that it is not in the public interest, then he may send it to the Board of Transport Commissioners to investigate, and then, if you get that far, if you get by the Governor General in Council -and I tried once on the piggy back agreed charge, and I was told in solemn language in an order in council that it was not considered to be contrary to public policy or in the public interest, and I do not know of one instance yet where the Board has investigated an agreed charge, even an eight year old one that has not changed in the interim. However, in any event, in answer to the question, you do not have the facility that you have under section 334 if it were merely a competitive rate.

MR. SINCLAIR: Mr. Commissioner Gobeil and Mr. Chairman and members of the Commission, as to the last statement that you do not have the facility that you have under section 334 to challenge an agreed charge as being non-compensatory, I would agree.

However, in regard to your question, sir, it would be my interpretation of the Transport Act that in the light of section 32(6) that these agreed charges shall categorically — it is used categorically — an agreed charge shall be made on the established basis of rate making, that requires the rate under our jurisprudence





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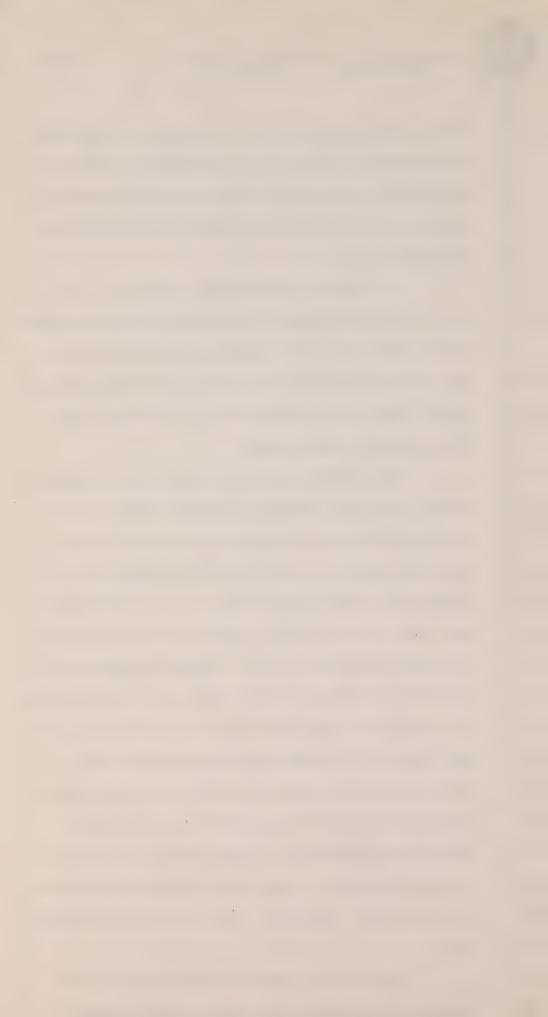
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to be compensatory, and also subsection 3 of section 33 requires the railways, if an enquiry is ordered by the Governor in Council, to show the effect that it is likely to have on the net revenue of the carriers who are parties to it.

So, in my interpretation of the law. sir. not only must the rate be compensatory but the railways have to stand the test of showing the effect on the net revenues, and I say that puts on them the burden of showing they are maximizing their net revenues from the movement of the traffic.

MR. FRAWLEY: So the record will be complete at this point, Mr. Chairman, I differ entirely in my interpretation of the meaning of the words "on the established basis of rate making" in subsection 6 of section 32 of the Transport Act. I say that means no more than that in making an agreed charge they shall follow the technical and rate making procedures laid down in the Railway Act as are laid down for the making of ordinary published rates, and if it meant any more than that -- if it meant all that my friend said -why in section 33 would parliament have said, "where an agreed charge has been in effect for at least three months any carrier or association of carriers, or any association or other body representative of the shippers of any locality" -- you are restricted again. sir.

So that my clients, the Government of the Province of Alberta or the Alberta freight bureau





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could certainly not, in my respectful submission make any protest at all.

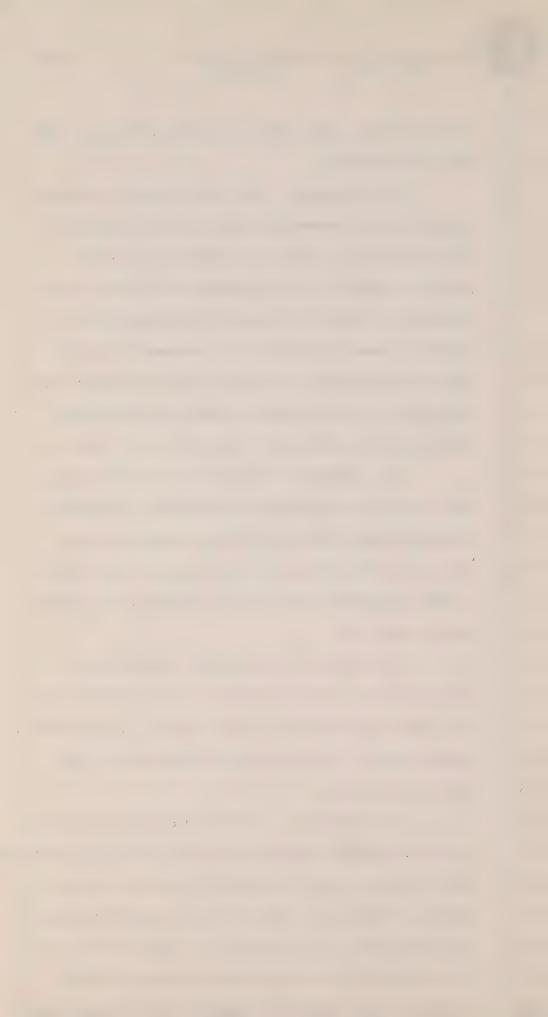
MR. SINCLAIR: Well, Mr. Frawley, you have always said you represented not only just a group or an association, but that you represented all the people of Alberta, all the shippers of Alberta, and I disagreed that you represented all the people of Alberta on many occasions, but I certainly do not think you are going to suggest to this Commission that you have not got the right to make an application.

Indeed, you have made them -- you have just said so.

MR. FRAWLEY: Yes, and I was astute enough when I made the application to join with a trucking company, because then the trucking company came in under subsection (a), and it was for the very reason I would be quickly told I had no status that I allied myself under (a).

My friend tells me what I am and what I pretend to be. I do not pretend to be an association or a body representative of the shipper. I represent the Government of Alberta which represents all the people in Alberta.

MR. SINCLAIR: So that this may be shortened up, the position of Canadian Pacific -- and if we have not made it clear, I hope we are able to do so -- and it may be my friend and I think this is a point he should have clarified, and he can put it to this witness or to Mr. Edsforth -- the position of Canadian Pacific is this -- and I have not, perhaps, made this as clear



as I might have done, because it is not the time to

put all the position of the company before you -- the

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position of Canadian Pacific is this -- I am instructed to say this to the Commission -- that we have no objection whatsoever to have spelled out, if that is felt to be necessary and desirous, any rate whether it be a normal rate or competitive rate or agreed charge rate: that we must show the Board periodically that these rates are meeting variable costs and something more. Now, we would, of course, expect that the Board -- and we should have made our position clear by saying that information would be kept highly confidential by the Board -- and we would also expect the Board not to ask us to do costing in all the myriads of movements when by certain bench marks, certain tests that we have it would appear that the rate is certainly not suspect. But, we would be prepared to do this. We have always taken the position, sir, -- and I have done it in this room many times -- that we are prepared to show the regulatory authority on a confidential basis what we do and how we do it as the result, and if it is necessary to have it spelled out, to have it clear, that there is any dispute as to whether it can or cannot be done now, this is our position.

Now, if I may just have a minute, sir, to complete the answer to the question of Commissioner

the second Turgeon Commission went too far.

brought all that on. All my friend is saying is that

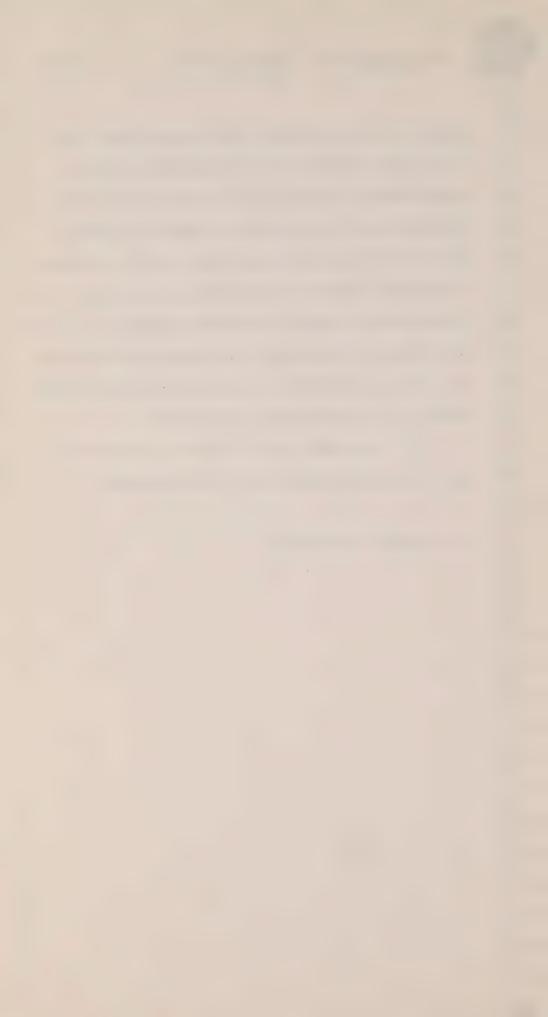
MR. FRAWLEY: I am sorry, Mr. Chairman, that



Gobeil, I was telling Mr. Commissioner Gobeil that
if you felt you would like to complain against an
agreed charge, you may go to the Minister or the
Governor General in Council to complain — these
people I have just mentioned car do that — shippers
or carriers — that the agreed charge is unjustly
discriminatory against a carrier or shipper, or places
his business at an unfair advantage, and the Minister
may, if he is satisfied it is in the public interest,
refer it to the Board for investigation.

I am sorry that we found it necessary to get into an interpretation of these sections.

--- Luncheon adjournment ---



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-- On resuming at 2:00 p.m.

THE CHAIRMAN: Order, please.

MR. FRAWLEY: Q. I was asking you before we adjourned at noon about some rates, and particularly I was asking you about the rates on cast iron pipe which moves to Vancouver under agreed charge 57. I want to ask you to look at two or three more of that sort with me. Would you mind providing yourself with a copy of Exhibit 145. There was a revised Exhibit 145, but I think that would be the one you have?

A. Yes, sir.

Q. If you will just run through them with me. I am only going to call your attention to a very few rates there.

Would you look at page 4, the second rate. Apparently you are moving propane from Edmonton to Waterways at a rate which returns you 6/10ths of a cent per ton mile.

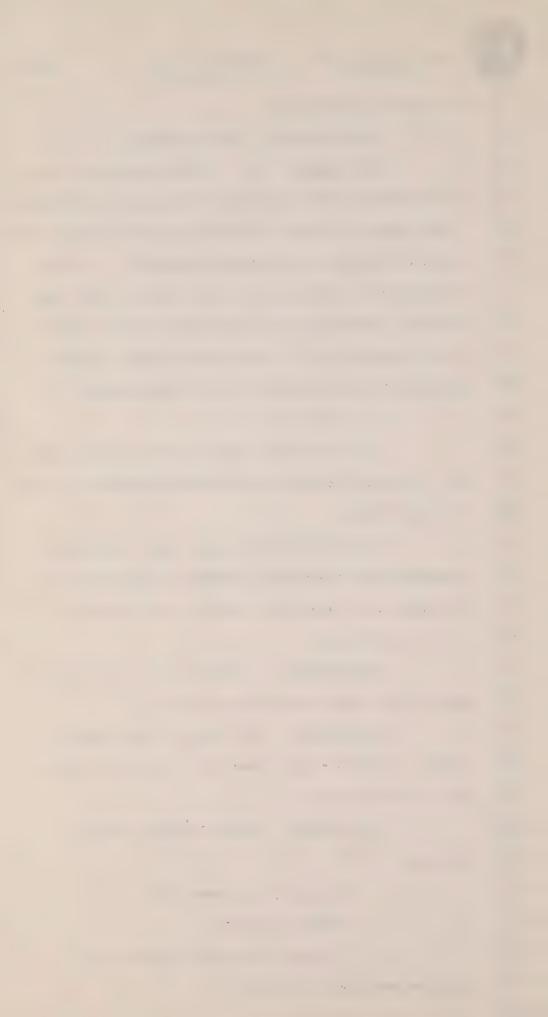
MR. SINCLAIR: You mean you being the railways or you being the Canadian Pacific?

MR. FRAWLEY: You being -- yes, that is right. I don't suppose that you -- yes, you would move it to Waterways.

THE WITNESS: On the Northern Alberta Railways.

- Q. You: are 50 per cent NAR?
 - That is correct.
- Q. I thought my friend had me on the Canadian National rate there.

MR. SINCIAIR: It moves on Northern Alberta.



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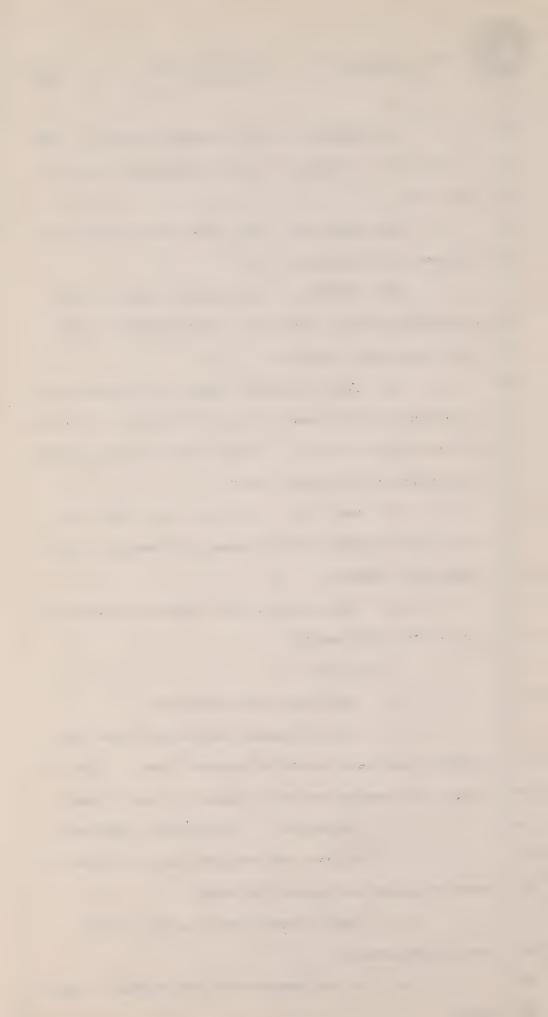
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MR. FRAWLEY: Well, Northern Alberta. That is C.P.-C.N. That is a perfect example of the C.P.-C.N. Act.

MR. SINCLAIR: This is a favour we did for the province of Alberta.

MR. FRAWLEY: I was going to say so, but I am awfully glad you said that. The Canadian Press cannot say that I said it.

- Q. Now, having got that out of the way, you are moving propane from Edmonton to Waterways at 6/10ths of a cent per ton mile. Do you think you are getting full variable cost out of that?
- A. Yes, sir. I am quite sure that the costs were examined before a rate like that was established, Mr. Frawley.
- Q. They were not just examined by taking a look at the bench marks?
 - A. No, sir.
 - Q. Something better was done?
- A. I would imagine that things like this, rates at this level would be carried finer. That is right, Mr. Frawley, we would examine it more closely.
 - Q. Who is "we"? You and Mr. Barnstead?
- A. No, sir, the freight traffic officers in western Canada who publish the rate.
- Q. Then, it would abide in the freight traffic department?
 - A. In conjunction with the research depart-



Q. Is that the full research department,

A. The Department of Research which is

the Myers-Stenason technique, or just the Barnstead

technique of taking a look at what it would cost to

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Q. He is the head?

A. Of the research department.

Q. We have heard so little about him; I

was wondering if he was still the head of the research

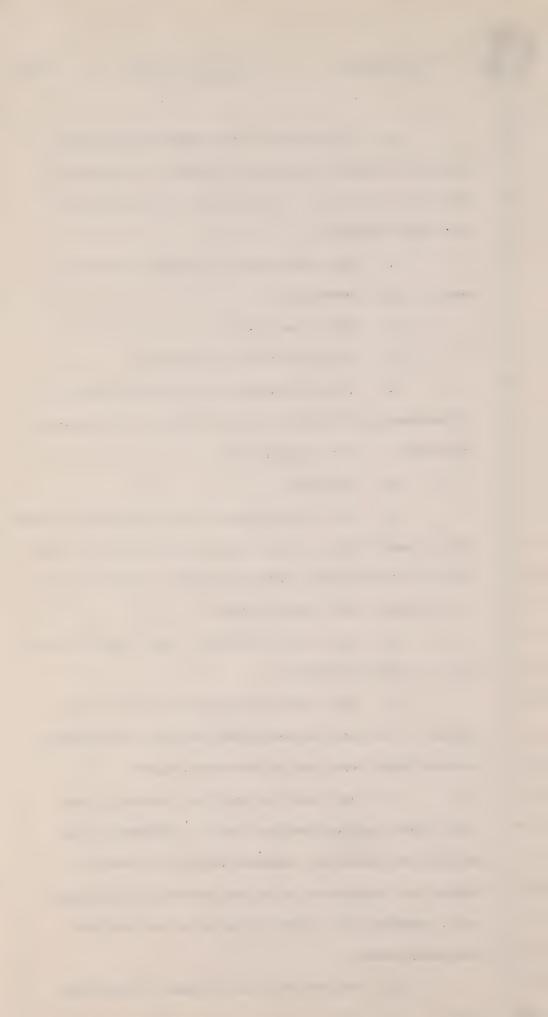
A. Yes, sir.

department. He is, apparently?

move that traffic?

headed by Mr. Barnstead.

- Q. All I am putting to you about this propane rate -- and I hope you have lots of it moving -- I put it to you you are not getting the full variable costs if you took in the cost of money?
- A. Sir, I am not going to get involved with you on costing technique.
- Q. But, just by doing the rule of thumb method of costing, you would say that you are getting your variable costs as you determine them?
- A. As I said to you, Mr. Frawley, I am quite sure that the freight traffic officers of the Canadian National and Canadian Pacific in western Canada, in conjunction with the research departments, would examine all of these details before the rate was established.
- Q. And you say that because of that the rate on propane from Edmonton to Waterways is returning



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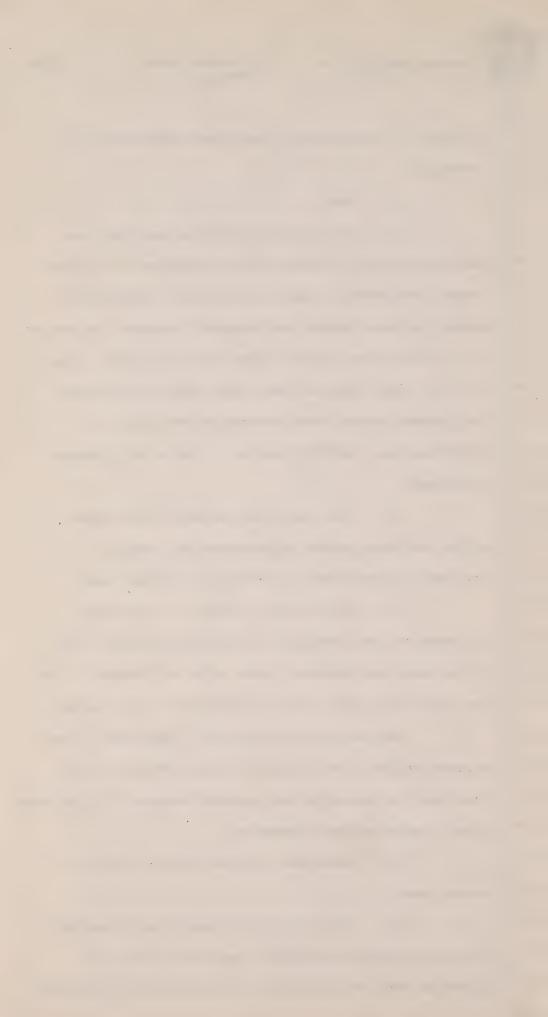
full out of pocket cost, plus some contribution to overhead?

> Yes. Α.

- I am putting it to you that they are getting the out of pocket costs, being the costs that can be considered to vary directly with the traffic moved; in other words, the expenses incurred on account of the additional traffic that would be moved, I put it to you that only on that basis could you say that the propane moving from Edmonton to Waterways is returning your variable costs. You do not disagree with that?
- A. I say that the research departments of the railways costed this segment of traffic. Now, what is in there, Mr. Frawley, I do not know.
- Q. Mr. Roberts. I am only looking for information, and perhaps you have not inquired, but if you have not inquired, then, with all respect, I do not think you can be quite so degmatic in your answer.

Can you tell me assuredly that there is an expense called cost of money in any costing that you have done to determine that propane returns full variable, plus a contribution to overhead?

- I have not done the costing, sir, so I Α. do not know.
- Would you look at page7, and those are the agricultural implements from North Portal to Edmonton, and you see there that my people in Edmonton have broken that out, and they show for that part of



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Several times out of pocket cost, I

It would be well above out of pocket cost. Α.

the movement, and I take it it is easily ascertainable from CW-449-L -- they have determined that is \$1.52?

> Α. Yes. sir.

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- And I am told it is not quite up to date, that you have to deduct 3 cents as of May 6, 1960, the second roll back, making \$1.49?
- Α. Well, then, this, sir, is not the proper rate that the railway receives.
 - The \$1.49? Q.
 - No. Α.
- No, you are quite right. Thank you very much. These rates, as the heading shows on the first page, do not include a reduction under the Maritime Freight Rates Act or the bridge subsidy, and I hope, also, or under the Freight Rates Reduction Act.

All right. So, then, you get \$1.52 to bring that farm machinery 642 miles from North Portal to Edmonton, which gives you a ton mile earning of 4-7/10ths of a cent per ton mile and a car mile In other words, that is the earning of 57 cents. full class rate?

- Α. Yes, sir.
- That is the full class rate. Can you tell me how many times out of pocket cost that rate is?
 - Α. No, sir.
- would suppose?



Q. Will you look on the same page to the steel sink cabinets, being also an importation from Canton, Ohio, moving from North Portal to Edmonton at a rate of \$2.60, and ton mile earning there of 8.287 cents.

That would be pretty good ton mile earning; wouldn't it?

- A. That is a pretty good ton mile earning.

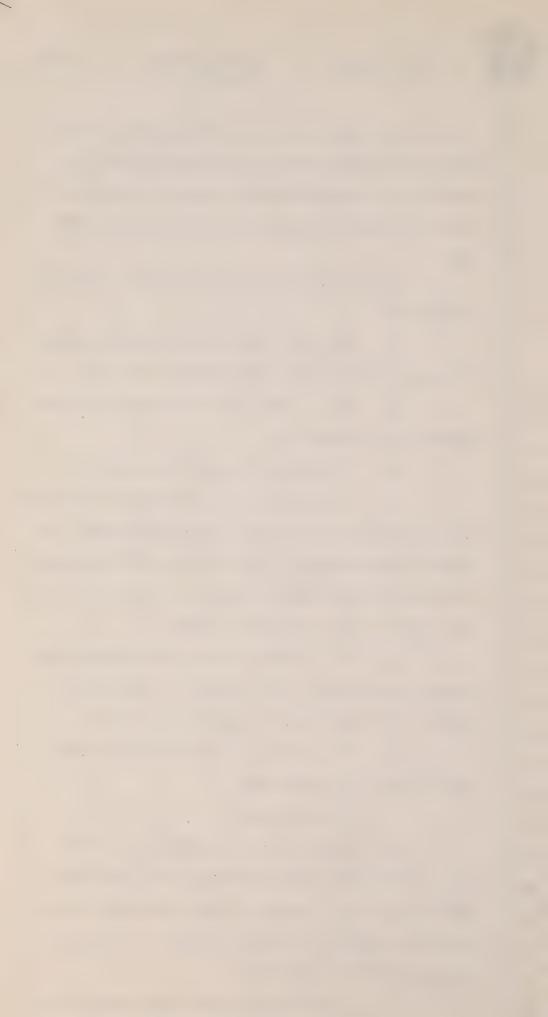
 Of course, there is only 14000 pounds in the car.
- Q. Yes. That would be as good a ton mile earning as you would have.
 - A. It is a good ton mile earning, yes.
- Q. I wonder what you are trying to do there?

 Are you trying to favour the local manufacturing, the

 Canadian manufacturing of steel sink cabinets against

 the United States import by having them pay the full

 class rate on these American imports?
- A. Well, these are the rates that are published in the tariffs, Mr. Frawley. There is no question of favouritism, or anything like that.
- Q. No question of favouritism; you make them pay the full class rate?
 - A. That is right.
- Q. Perhaps here is something I will ask you. Do you make similar movements from Brantford, Hamilton, Toronto, Montreal -- wherever these things might be assembled or built in Canada -- do you make them pay the full class rate?
 - A. I don't know offhand what the basis of



Well, I don't either. If it turns out

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that it is some sort of an exception rate, something

rates are published in Canada on the steel sink cabinets.

else other than a class rate, would you perhaps say
why you choose to assess the full class rate on the
American import and not on the Canadian manufacturer?

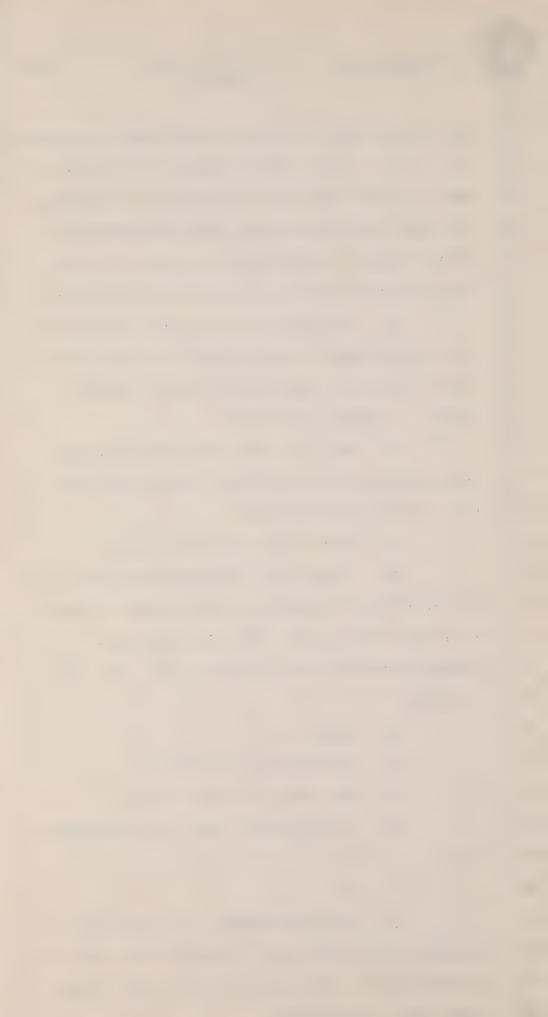
A. Well, this is, of course, hypothetical.

I do not know what we have published, but there may be lower rates due to truck competition from eastern

- Q. Well, if there were lower truck rates from eastern Canada, why wouldn't there be the same truck rate from North Portal?
 - A. It does not necessarily apply.
- Q. Going back to farm machinery there, just two lines above, I suppose you know offhand, or maybe Mr. Miller can tell you, what do you move farm machinery from Hamilton to Edmonton at? What kind of rates?
 - A. Column 40.

Canada. I cannot say offhand.

- Q. And what is this column?
- A. This would be column 40 also.
- Q. In other words, there is no difference there?
 - A. No.
- Q. The farm machinery out of Hamilton is paying no less on any basis ton mile, car mile, or published rate than the imports that come through North Portal, Saskatchewan?



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- A. That is right, relatively.
- Well, relatively. You mean allowing 0. for mileage?
 - A. That is right, sir.
 - Q. All right.

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Now, will you look at page 8. There is just one on page 8 that I want to ask you about. That is iron and steel ingots moving from Hamilton to Sydney, Nova Scotia. You are getting about 8/10ths of a cent a ton mile there?

- A. Well, the Canadian National are there. Mr. Frawley.
- Yes. And you would not like to say whether that is returning full out of pocket costs plus?
- A. That would be up to the Canadian National to answer. sir.
- Q. Do you keep a check on them from the cost standpoint?
 - A. From the cost?
- Q. Yes. If you thought, for instance, that they were, by charging that rate of \$12 a long ton, that they were not getting, in your view, full variable, have you any way of checking that?
- A. Well, we could measure it against our own costs, Mr. Frawley, yes.
- Q. I suppose you do a certain amount of watchdog work in that way?



		Α.	Well,	we	watch	what	rates	are	published
n	the	tariff,	yes.						

- Q. That is all I think I want to ask you on that exhibit, Mr. Roberts.
- Mr. Brazier yesterday was showing you a sheet from the Canadian National Tariff No. W950 which publishes the incentive rates between Calgary and Edmonton. You saw that yesterday, I think?
 - A. Yes.

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- Q. Well, now, there is a rate there of 30 cents for traffic loaded in boxsars with a 24000-pound minimum. You publish the same rates; don't you?
 - A. That is right.
- Q. Can you tell me whether or not the full variable -- I assume that those rates return variable costs plus some contribution to overhead?
 - A. Yes, sir.
- Q. And can you tell me whether or not this is full variable in the sense that it contains as an expense something for the cost of money?
 - A. I would say yes, sir.
 - Q. In this case you ---
- A. I would say yes. These are normal things to include in cost figures. I do not know exactly all of the components that go into costing, Mr. Frawley.
- Q. You say they are normal things to include.

 What I was wondering -- is there a degree of certainty

 or uncertainty in your mind? You are not able to say

 whether or not some of these other variables that I





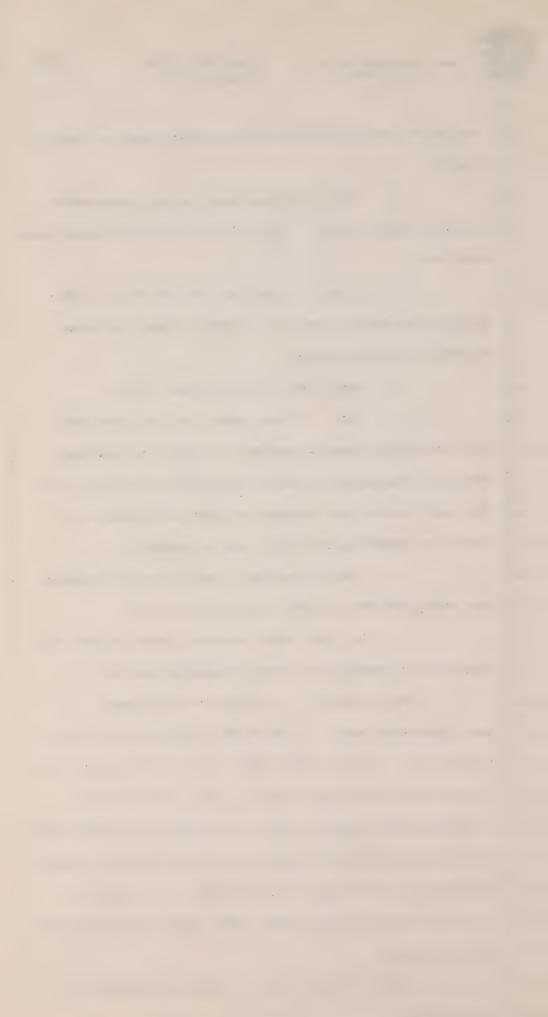
doesn't know.

brought to your attention contained an item for cost of money?

- A. Well, you went back to Mr. Barnstead's exhibit in 1953, sir. Now, I said I did not know about that one.
- Q. I see. But you feel as of 1960, and these rates having come into force -- when did these incentive rates come in?
 - A. April 8th, I think it was, 1957.
- Q. Yes. In any event you feel now that with the more recently developed costing methods that there is something now in the costing job that you did for the 30-cent rate between Calgary and Edmonton -- there is something there for cost of money?
- A. I would say that the costing techniques are being refined all the time, Mr. Frawley.
- Q. Oh, yes, they certainly were refined when they got to costing the Crow's Nestgrain rates.

MR. SINCLAIR: I think, Mr. Chairman, I must intervene here. The witness has said he is not a cost man. He has said that over and over again. My friend also knows that in the coal rates that antedated these rates by quite a period his clients then and my client had many, many discussions and this whole question of cost of money was fought out as hard as we could fight it out at that time, and it was included as an element.

THE CHAIRMAN: Well, this witness says he



MR. SINCLAIR: And that was away before 1957 or 1956 or 1955 or 1954. It gets back, if my recollection is right, to about 1951.

MR. FRAWLEY: What rate are you talking about?

MR. SINCLAIR: It is the rate between certain shippers that you were asking for as to the cost levels on the movement of coal.

MR. FRAWLEY: Of coal, certainly. I didn't hear you say coal. That was when Mr. Ford K. Edwards came up and made some submission. Oh, yes. I am quite well aware of the cost that was in there. The cost that first went in; the cost that was put in a brief filed with the Board of Transport Commissioners was 4.25 per cent, and the exhibit very plainly said that was because when you looked at the requirements formula it worked out at 4.25 per cent. That was the cost of money that was put in.

THE CHAIRMAN: I have no doubt we will have more on that ---

MR. FRAWLEY: Well, Mr. Chairman, I am just trying to be fair. I am always trying to be fair -- and you can sit down now that you know I am going to be fair, Mr. Sinclair.

Later on, when Mr. Parr got into a discussion with the railways about the 4.25 per cent, and some question was raised about that, then Mr. Barnstead, the same Mr. Barnstead, advised Mr. Parr that it was not going to be four and a quarter, it was going to be



It was before the Board, yes, but it petered

MR. SINCLAIR: I think the important thing,

THE CHAIRMAN: Well, we will hear much more

MR. FRAWLEY: Q. Now, Mr. Roberts, would

Captive traffic does not exist.

A. Brick trying to get from Medicine Hat

six and a half per cent. In the face of objection,

out as a result of the cost study which Mr. Barnstead

and Mr. Parr protested against that kind of rate for

cost of money. The Canadian Pacific said, "If you

Mr. Chairman, if you want to be fair, is that Alberta

at this time were able to agree with the Canadian Pacific

on a costing technique and to arrive at a figure which

you please turn to page 13. Now, you make the point

there that captive traffic does not exist. I mean,

That is correct, sir.

do you think about brick trying to get into Hamilton

don't like $4\frac{1}{4}$; it is going to be $6\frac{1}{2}$."

included an element for the cost of money.

by paraphrasing what you say, that is it?

about this subject again.

from Medicine Hat, Alberta?

Yes.

made, with a certain amount of supervision from Mr. Parr,

they were just going to make it six and a half per

cent that they would give us.

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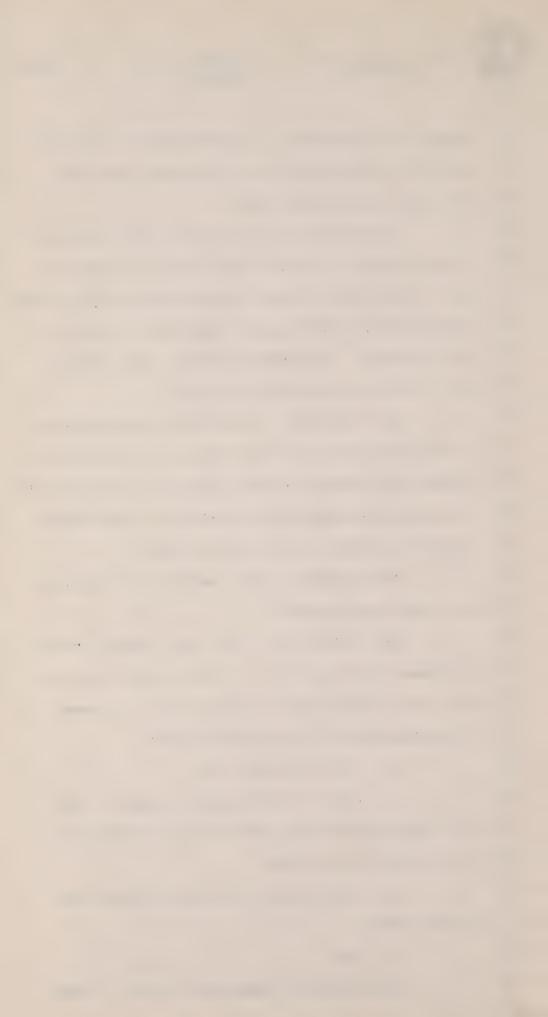
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into Hamilton?

MR. SINCLAIR: What kind of brick? Roman

brick?



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brick.

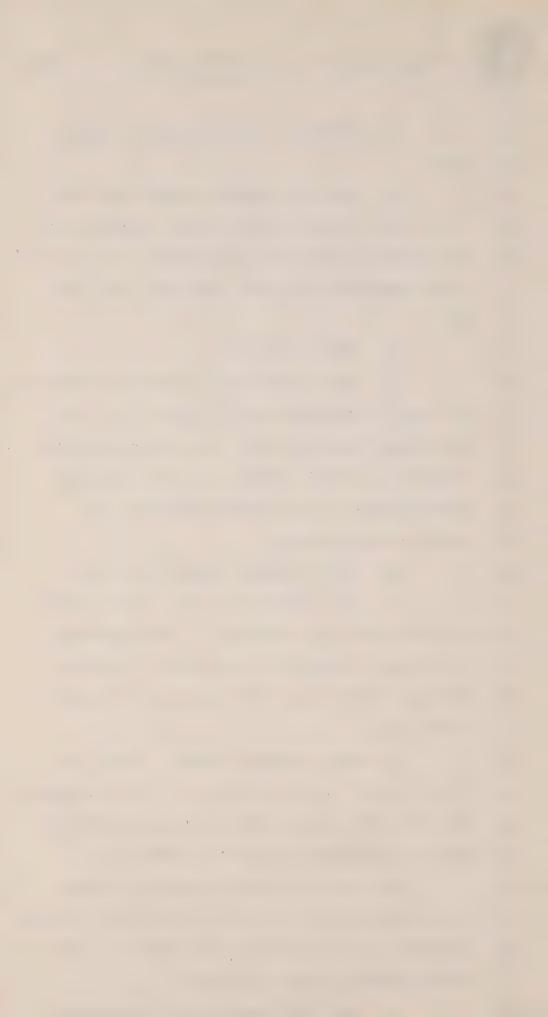
MR. FRAWLEY: The brick expert! Roman

- Q. Yes, Mr. Roberts, you and I had a lot of talk about the Roman brick we make in Medicine Hat. We would like to get into eastern Canada to back up some of the Pennsylvania, Kentucky, Chio brick that comes over?
 - A. That is correct.
- Q. And you gave us a concession on that rate, and I hope it is moving a lot of brick in, but I am simply suggesting to you that brick from Medicine Hat to Hamilton is traffic captive -- I won't even say to the railways -- it is traffic captive to the Canadian Pacific Railway?
 - A. Not to exploit, though, as we will.
- Q. But, supposing you just, as my friend Mr. Cooper said to you yesterday I was interested in Mr. Cooper's suggestion to you because I had already put brackets around that expression "to exploit as they will".

Stopping the sentence there: "People who attempt to make this distinction do so on the assumption that some traffic is the particular and exclusive preserve of the railways to exploit as they will."

Now, you do not want to discuss it perhaps on any other basis than the full sentence; that is, with the words "to exploit as they will" added on. That is the way you really want to discuss it?

A. Well, Mr. Frawley, as I said yesterday,

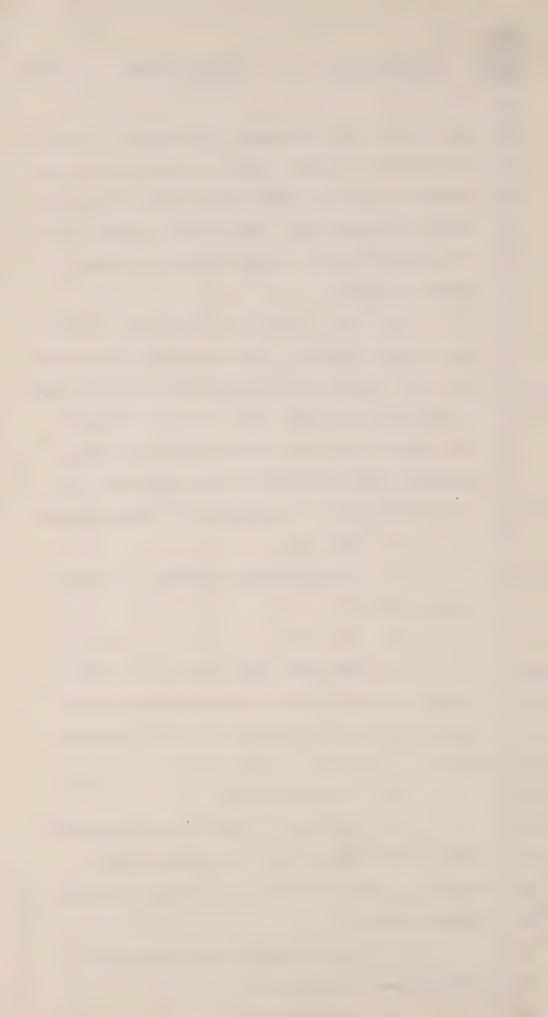


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and I think it was yesterday, to Mr. Brazier, there is no such thing as captive traffic, because if the rate is getting too high by rail there is an alternative mode of transportation. They use it, or they will use a substitute product, or they will use different sources of supply.

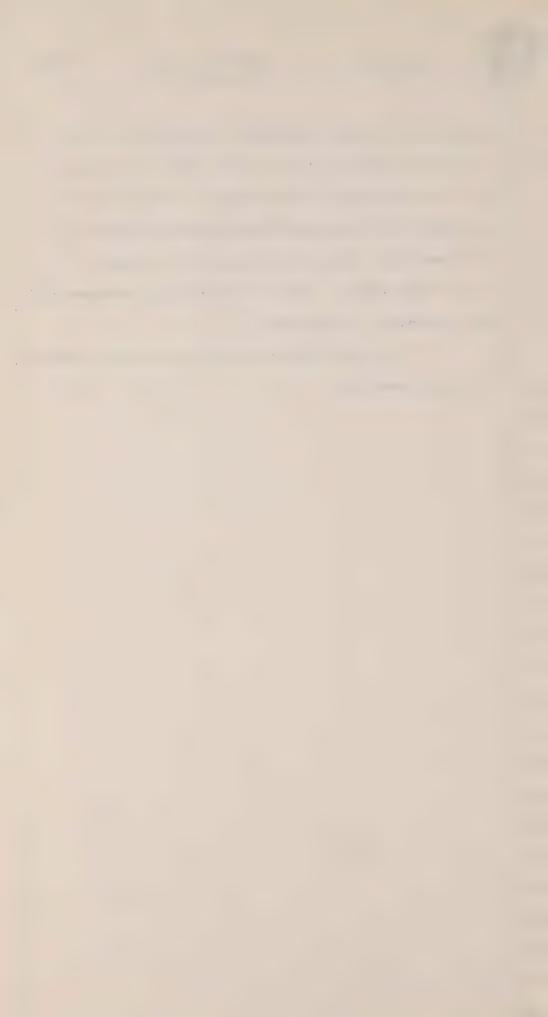
- Q. Yes. But let us first get what you mean in this sentence. I have no right to take those words out, because you wrote them, but will you discuss it with me on the basis, as if it read: "People who attempt to make this distinction do so on the assumption that some traffic is the particular and exclusive preserve of the railways." Stopping there?
 - A. Yes, sir.
- Q. Are you willing to discuss it with me stopping there?
 - A. Yes, sir.
- Q. That means that you say we are under a mistaken assumption when we assume that some traffic is the "particular and exclusive reserve of the rail-ways"?
 - A. I consider so, sir.
- Q. All right. I ask you again about Mr.
 Sissons' brick trying to get from Medicine Hat to
 Hamilton. How could be ever get it there except on
 Canadian Pacific?
- A. He could get it there presumably by truck, by some level of rate.
 - Q. It would not move by truck, though.



it is not attractive to the truck? How could you get the brick in the quantities necessary to get it into Hamilton? How could you get it in trucks? I do not understand. There are some things that are just not reasonable, Mr. Roberts. A. The brick does move by truck, Mr. Frawley, in large quantities.

Supposing it is not attractive to the truck at all:

that is an economic fact of life, that at the moment



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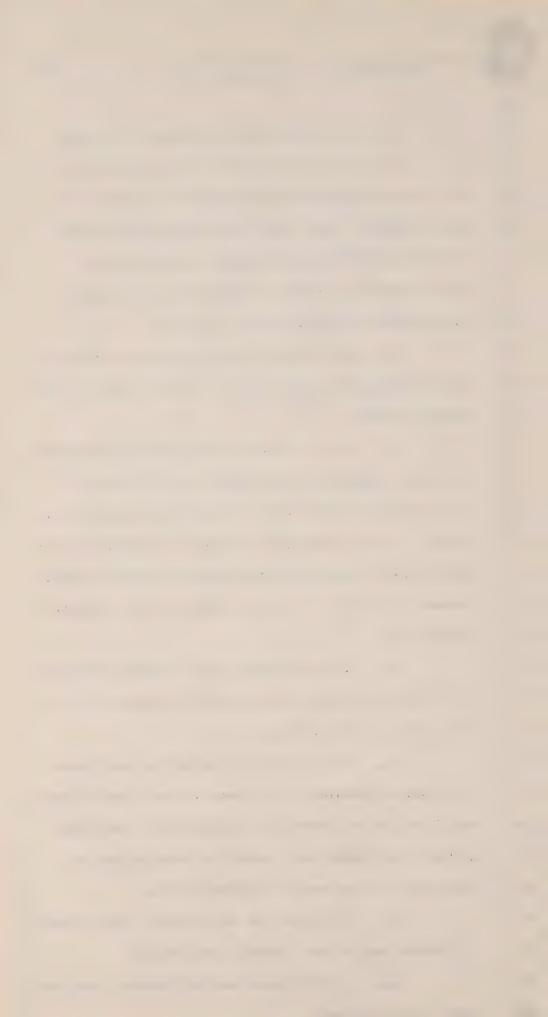
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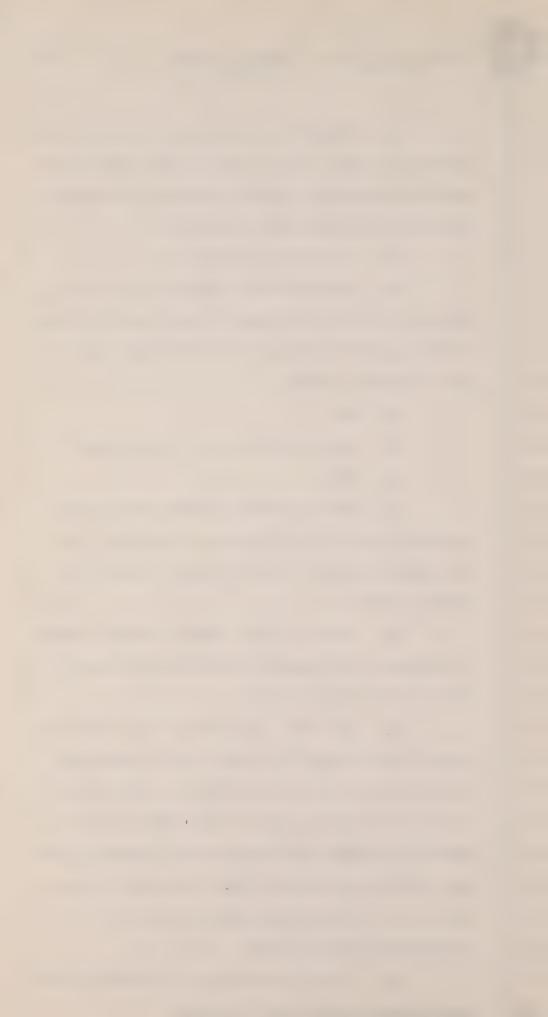
type is not as good.

- All over Alberta it moves by truck, 0.
- A. But in addition to this the producer is in Alberta and the Eastern Canadian market is a great distance away. Now, the range of his market normally would be within Western Canada and we endeavoured to help him to move out into Eastern Canada with a particular type of brick.
- Q. All right, I will grant you that but are you saying he should not be trying to get it into Eastern Canada?
- A. Well, so far as the brick is concerned it is not a question of he should not be trying. it is a question of what would be his normal market for brick. In this particular instance we endeavoured to assist him in getting brick beyond his normal market because, after all, brick is manufactured in Eastern Canada too.
- Q. I am accepting all of these conditions. His brick moving from Medicine Hat to Hamilton, is it not captive to the railway?
- A. Well, if he had to get it down there. If it was a question of this was his only market there would not be any other way of getting it down there, he would not establish a plant in Medicine Hat or Radcliffe to take care of Eastern Canada.
- Q. Of course, he was the only brick plant in Canada, was he not, making roman brick?
 - A. I think there was in Montreal, but the



	Q.	Nat	ural	ly, it	would	l not	be	as g	ood.	My
suggestic	n to	you	d	o you	recall	at	the	time	of c	our
negotiati	ons t	chat	this	plant	at Me	dici	ne H	at wa	as th	ne
only one	makir	ng ro	man 1	brick	in Can	ada?				

- A. I would accept that.
- Q. And he had what everyone thought was a legitimate desire to push some of the roman brick from Kentucky and Pennsylvania, some of it anyway, and he went to you for a rate?
 - A. Yes.
 - Q. And you did give him a concession?
 - A. Yes.
- Q. And all that is in the record. All I am getting back to is the meaning of "captive". All I am putting to you is that Mr. Sisson's brick was captive to you?
- A. Insofar as the Eastern Canadian market is concerned I would agree with you but his normal market is in Western Canada.
- Q. All right. We have a slight concession insofar as his market in -- well, that is about the only traffic, I do not know whether you got any more or not but you do not get too much traffic out of Medicine Hat except that you do down to those low, low truck competitive rates and that is how you move the brick out of Medicine Hat going into all the construction jobs in Alberta?
- A. It may be in Alberta but there is also Saskatchewan and Manitoba to consider.





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Manitoba?

by truck?

A. By rail.

Q. By rail?

A. And some by truck.

Q. Do you think he was moving any

some brick into Saskatchewan and Manitoba?

A. I would imagine so.

- A. Well, I do not know.
- Q. How about traffic up on the N.A.R.?

 How about the traffic from Edmonton to Waterways, that
 is not very vulnerable to truck transportation, is it?

quantities of brick from Medicine Hat into Winnipeg

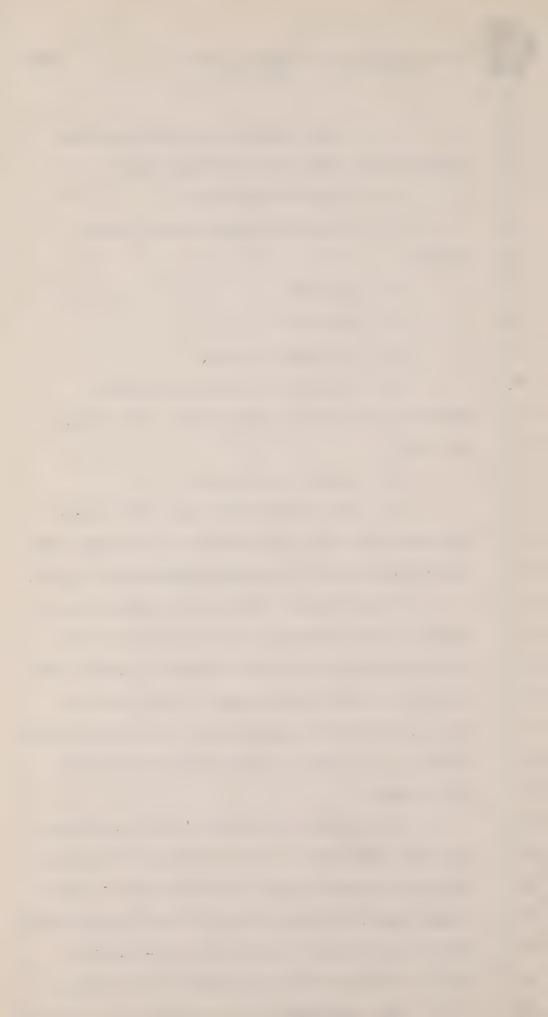
Q. And I suppose Mr. Sisson has moved

How do you think he gets it into

MR. SINCLAIR: With all due respect to my learned friend, we are not here to answer for the N.A.R. and the witness in the box has no control over the N.A.R. If Mr. Frawley wants to deal with the N.A.R. he had better suppoen the chief traffic officer of the N.A.R. We are not answering for the N.A.R., Mr. Chairman.

MR. FRAWLEY: My friend is not answering for the N.A.R. Now, that is the first time -- the N.A.R. is our own Alberta railway and he now says if I want to know anything about the N.A.R. I have to go and talk to Mr. Cooper about it or whoever is the Canadian Pacific or Canadian National nominee at the moment.

MR. SINCLAIR: We are presenting the position



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of Canadian Pacific and we are not presenting the position of the N.A.R. They have their own board of directors, their own traffic officers.

THE CHAIRMAN: Well, we need not waste time, if the witness knows anything he should tell us, because the Commission wants to know.

MR. SINCLAIR: He has never worked on the N.A.R.

MR. FRAWLEY: Well, if that is the attitude of the Canadian Pacific Railway and the Canadian National — although I have not heard from them but I imagine they will take the same point of view — I cannot say anything else about the N.A.R. I certainly do not intend to bring Mr. Cooper, if he is still there, down from Edmonton to discuss the N.A.R. I will leave it to the Board that they might look at it and find this word "captive", this being a limited definition of captive that the Canadian Pacific officers are giving, whether or not that is present on the N.A.R. that runs through hundreds and hundreds of miles of muskeg to get up to Waterways from Edmonton.

- Q. Now, page 14, you make the statement that because the competitive traffic is more pervasive in some areas than in others that that does not mean in any general revenue cases this traffic is being called upon to bear an unfair burden or unjust proportion of the increase.
 - A. That is right.
 - Q. I put it to you that the facts demonstrate

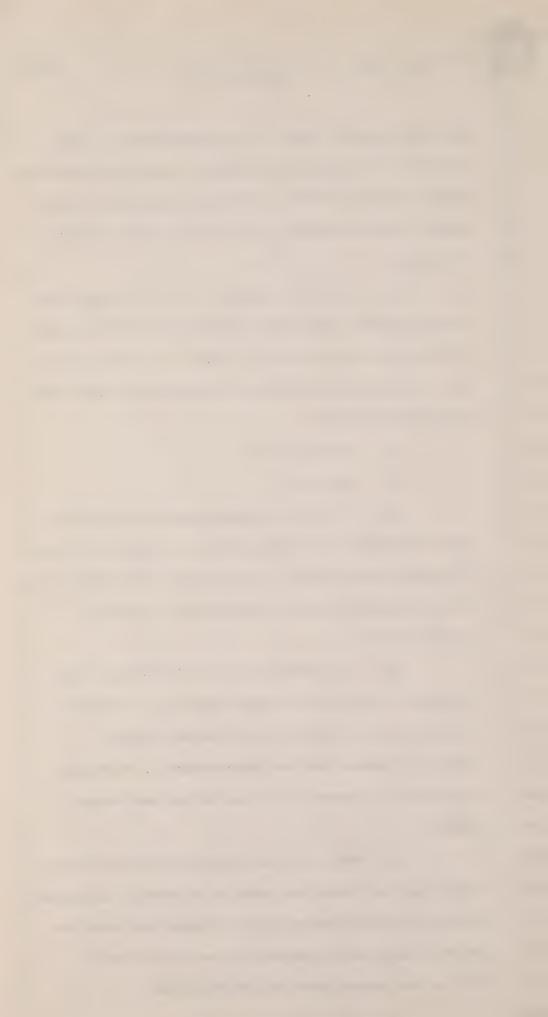




ANGUS. STONEHOUSE & CO. LTD. Roberts, cr.ex. TORONTO. ONTARIO (Frawley)

quite the opposite that it was demonstrated in the 17% case, confirmed by the exhibit which you yourselves filed, that the traffic is being called upon to bear burdens in disproportion one kind of traffic against the other.

- A. No, sir, because in my estimation this simply indicates that the revenue yield so far as the 17% increase was concerned in terms of dollars, there was as much came from Ontario and Quebec as there was from Western Canada.
 - Q. Exhibit 162?
 - A. Yes, sir.
- Q. You are talking about it area-wise, region-wise, and I am talking about it traffic-wise and I am saying traffic-wise the statement shows there is an obvious disability in the contribution made by various traffics.
- A. The different types of traffics, that is correct, competitive versus normal but the fact remains that dollar-wise this statement shows, exhibit 162 shows that the Ontario-Quebec territory contributed in terms of dollars as much as Western Canada.
- Q. Well, that is no great surprise to you looking at the industrial complex in Ontario and Quebec. When you look at the population figures you would be greatly surprised if the dollars were not more in Ontario and Quebec than in Western Canada?
 - A. How do you mean?





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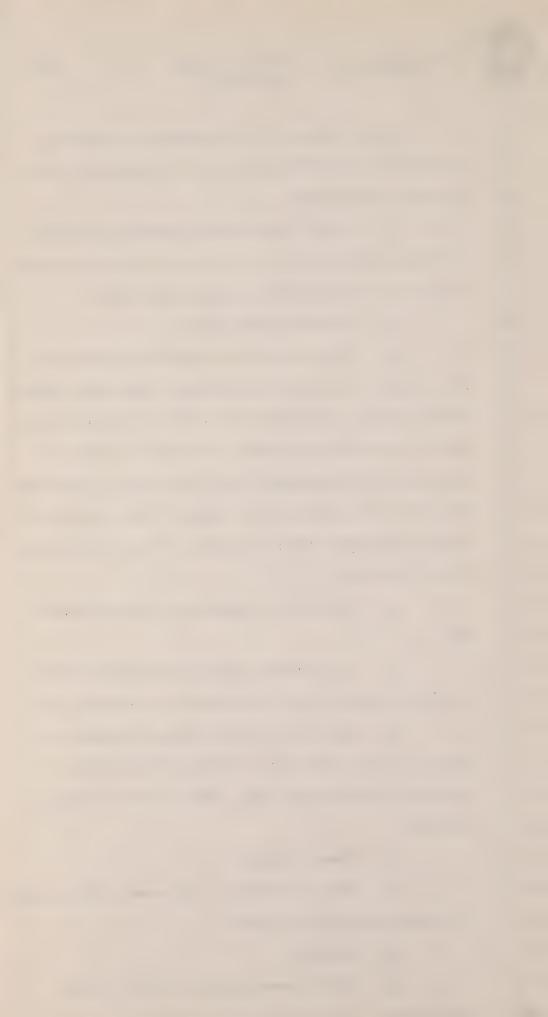
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Q. But the next column, I call to your attention the revenue within the West at normal rates

- Q. You point to this exhibit as showing an absence of disability when you are speaking of this situation region -wise?
- A. Well, I gave some figures to Mr. Mauro yesterday and put them in the record but so far as the revenue in relation to the service performed ---
 - What does that mean?
- Well, service performed is revenue tonmiles, that is a measure of service. Taking the traffic within the West and Ontario and Quebec to the West the revenue in relation to service performed in terms of ton-miles, the revenue was \$1.00 for every 51 ton-miles of service within Ontario and Quebec. From the West to Ontario and Quebec the ratio was \$1,00 to every 50 tonmiles of service.
- Q. Is that all composite on this exhibit 162?
- It is taking the types of traffic that I mentioned here, it is just normal I am speaking of.
- Q. Well now, I find looking at normal on exhibit 162 that the normal traffic within Ontario and Quebec produced \$231,000. This is just a sample, of course?
 - A. That is right.
 - Q. And the traffic -- the same traffic within the West produces \$373,000?
 - A. Correct.



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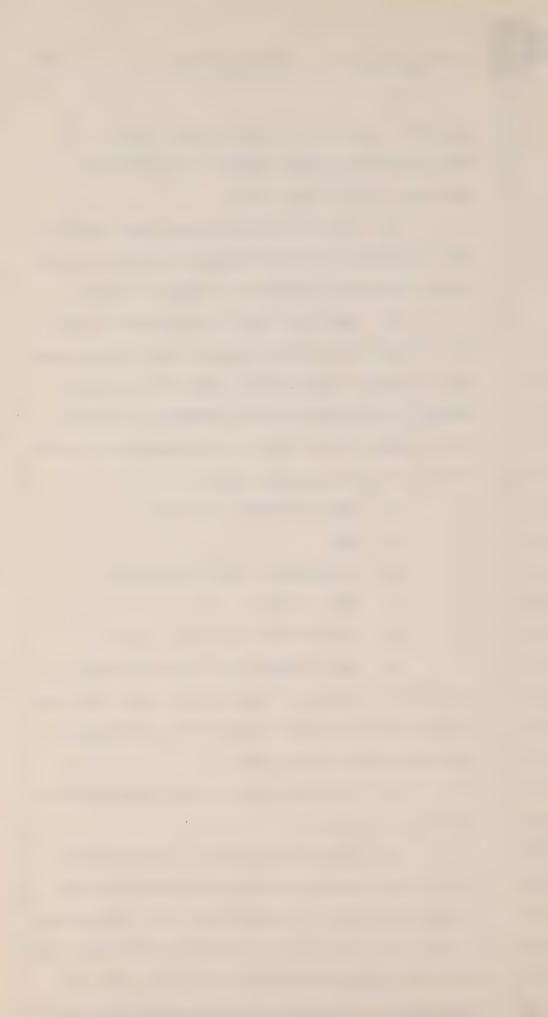
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represent 41.9% of the total while the same amount of revenue within Ontario and Quebec only represents 26.1% of the total.

- A. That is right and what I am saying to you is that all the West is paying relatively for the service performed is exactly the same as the East.
- Q. But I say that the proportion of high rates, we will call them relatively high rates, normal rates, certainly higher than competitive or agreed charges, I say in the West the percentage of those kind of rates to the total is 41 as against 26. That is what we have been talking about.
 - The percentage of normal? A.
 - 0. Yes.
 - A. In relation to the total normal?
 - That is right. Q.
 - A. Revenue-wise it is 41%, 41.9%.
- That is right and in the great big Q. provinces of Ontario and Quebec which I think has twothirds of the population of Canada the percentage of these high rates is only 26%?
- A. Yes, and it pays in performance for the service it receives.
- Q. I suppose they are all paying for the service they receive in Ontario and Quebec as we do. I simply point out to you something that confirms what we have been pointing out to you that in the West these class rates and non-competitive commodity rates are more pervasive in Western Canada than Eastern Canada?





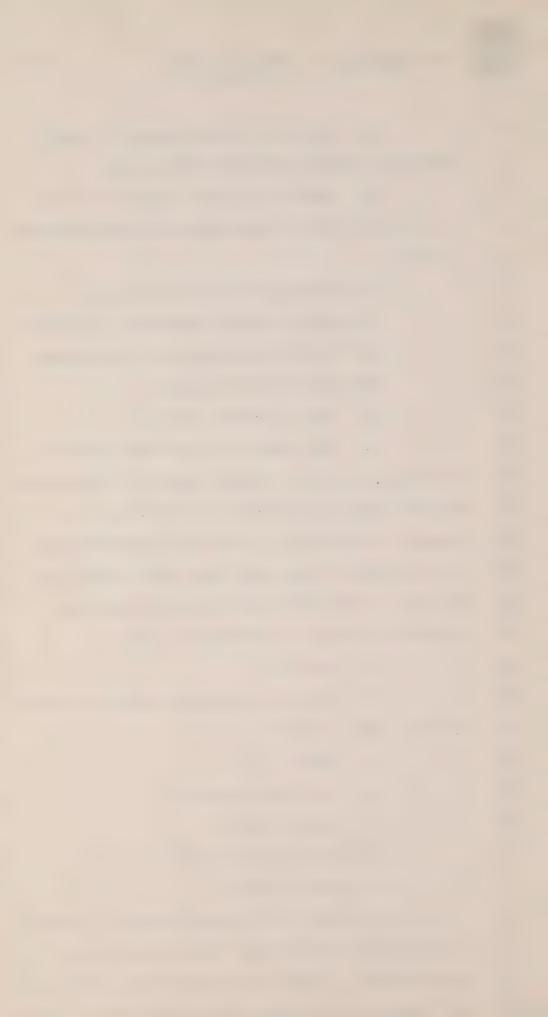
ANGUS STONEHOUSE & CO. LTD. Roberts, cr.ex. (Frawley)

A. There is a larger segment of traffic moving at commodity rates in Western Canada.

Q. Now you, of course, point out at page 18 -- you have some figures drawn from exhibit 162 and you say:

"It will be seen from the foregoing comparisons that the percentage of increase paid by the various regions on the average was approximately the same."

- A. That is correct, sir.
- Q. Well, would you just take a look at another one of them? I do not suppose it matters very much but take the compilation at the bottom, the summary at the bottom and you have a figure there of —— take anyone of them, take this figure within the West and you show there that within the West the percentage increase in revenue was 11.1%?
 - A. Yes, sir.
- Q. Now, am I right when I say that is made up by the 15% -- line 7?
 - A. Correct.
 - Q. The 12.3% -- line 17?
 - A. That is right.
 - Q. And the 0% -- line 27?
 - A. That is right.
- Q. Well, that is where you get 11, you get
 11 very quickly from 15 and 7 when you have 0% on
 agreed charges. I put it to you that that is the only
 way in which you can refer with any satisfaction to the





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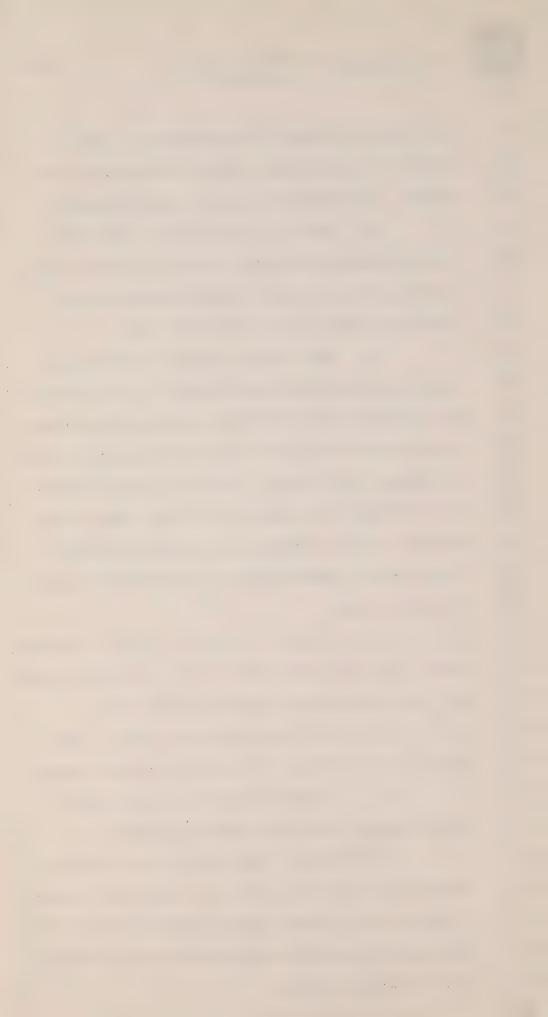
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fact that the increase in the West is not above average or is reasonable compared to the rest of the country. You have no increase in agreed charges.

(Frawley)

- A. The fact remains that in total the revenue resulting from the increase in Western Canada was \$63,000 or 11.1% and from the increase within Ontario and Quebec it was \$65,000 or 11%.
- Q. , Yes, but the increase if it had not been for the decreased figure rate of 27 you actually get a lesser revenue from your agreed charges between those two dates and that would obviously, as a matter of revenue, cut it down. I have no desire to pursue it any further, Mr. Roberts, I just felt that perhaps that had not been sufficiently recognized that the absence of any agreed charges would necessarily work to bring it down.
- A. If you look at line 14 you will see the return from competitive rates within Ontario and Quebec was \$34,000 and within the West was \$17,000.
- Q. Yes, because there are more of them, there is a great volume of traffic in central Canada.
- A. It shows there is increased revenue being obtained from those competitive rates.
- I do not think there is any one bold enough to say that they were not. Now, would you turn to page 22 and you make a point right at the top of the page talking about horizontal percentage increase with hold-downs you say:

"In addition, this method would result in



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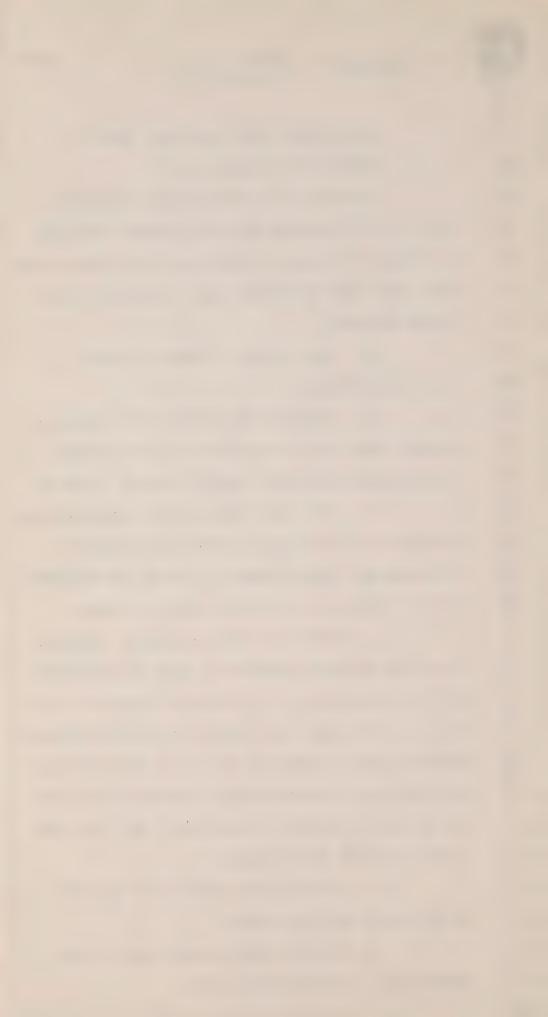
some traffic that could take the full increase not doing so ---"

I want to call your attention to those words, "that could take the full increase not doing so". Now, it is basic to you, is it not, that certain traffic can take an increase and, therefore, should take an increase.

A. That is true, it should bear its proper proportion.

- Q. Regardless of the fact that before you approach them to put the increase on you find that they are making excessive contributions to overhead.
- A. I say that they are not making excessive contributions in the light of the rate structure reflecting the value of service to move the different types of traffic that we have to move in Canada.
- Q. That is the way you put, Mr. Roberts.

 I say that they are excessive in terms of percentages of overhead and when I use the word "excessive" I only mean it in the sense that they are relatively excessive contributions to overhead. You say if the furniture can absorb big increases without appreciable falling off in sales of traffic and you say to just let that traffic take the full increase.
- A. I think that is the proper approach to keep basic material moving.
- Q. And you would say that even if the increase was 300% of variable costs?
 - A. I would say if the traffic was moving at



to get the full increase on that traffic.



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Q. And you say that, you say it should take

the rate before the increase we should at least attempt

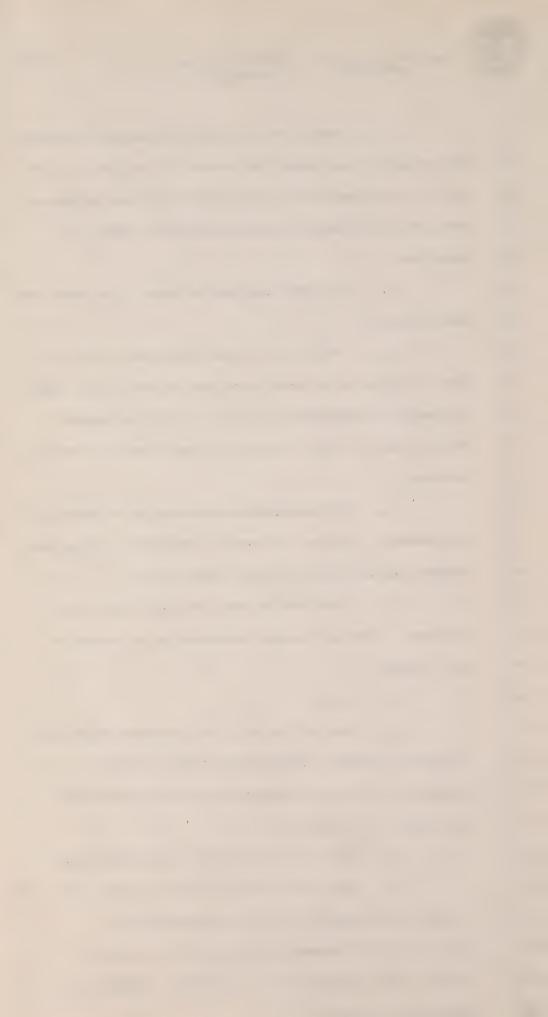
- the full percentage of the increase and that you should make the 300% on variable cost, 325% and perhaps the next one is 350%. There is no limit at all so long as you say that traffic can stand it without falling off in revenue.
 - A. Yes, sir.
- Q. And you say because the traffic moves freely.
 - A That is right, sir.
- And I say to you if the furniture store in Edmonton needs furniture that they have simply to go to you to get it through or the people of Edmonton will go without furniture and still you say it moves freely?
- A. It moves in accordance with the demands of the market.
- But all that does is, it means that the furniture importer simply adds on that extra freight cost to the consumer and the people of Edmonton going in to buy have just that much higher rate of revenue. that is, the freight rate you have put on 100% on that particular traffic.
 - A. And other factors?
 - Q. What other factors?
- Well, wages, cost of materials, it is A. not all transportation.



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- Q. But if he pays you 17% because you have had to pay a wage award and so on, if he pays you 17% on the laid down cost of his furniture then he passes that on to the people who come into his store in Edmonton.
- A. And the same way he puts it on when the wages go up.
- Q. Yes, but it does not bother you for a minute that side by side with that situation you move hundreds of thousands of tons of traffic on agreed charges and get your one cent to each ton-mile and no increase?
- A. We are always endeavouring to maximize our revenue. We are, of course, working to get agreed charges, do not say it is not bothering us.
- Q. Just let me take you up on that last statement. You are always endeavouring to maximize your revenue?
 - A. Yes.
- Q. And as far as I am concerned with this situation, I think, as disclosed today, you are maximizing it at the expense of the class rate and non-competitive, are you?
 - A. No sir, I would not agree with that.
- Q. Now, let us go to page 31 where you refer to what the Canadian Electrical Manufacturers

 Association put forward and you say you could not accept their suggestion of a graduated percentage increase. You say:





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 rates, competitive rates and agreed charges."

You say because of the rate of taper not

being the same you could not accept the suggestion of

the Canadian Electrical Manufacturers Association.

That is right?

regular pattern of taper in specific commodity

"As I indicated earlier, there is no

A. That is right. That is one of the reasons, Mr. Frawley.



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- 0. But you are increasing competitive rates every day and every week by a variety of percentages?
 - A. Depending upon what we can get.
- Of course; by a variety of percentages as dictated by the forces of competition?
- But originally we can have a flat increase -- we try to get a flat increase. We may get 10 per We may be able to hold 10 per cent or 6 per cent.
- Well, I will give you "E" for effort, Mr. Roberts, but you are just not able to put on the percentage increases with any uniformity?
- Yes, but if we had a graduated scale of percentage increases some of the traffic on which we are able to hold that 10 per cent increase we might only get, on the graduated scale, 6 per cent.
- Q. But I am disturbed by you telling me and the Canadian Electrical Manufacturers Association that you could not accept the suggestion of a graduated percentage increase because of the fact there is no uniform rate of taper?
 - In certain scales. Α.
- Q. Yes, in certain scales, and I put it to you that that does not frighten you at all when it comes to putting on agreat variety of percentage increases in your competitive rate structure?
- A. We don't put on a great variety. We apply the flat increase to begin with. What competition brings about is another thing.



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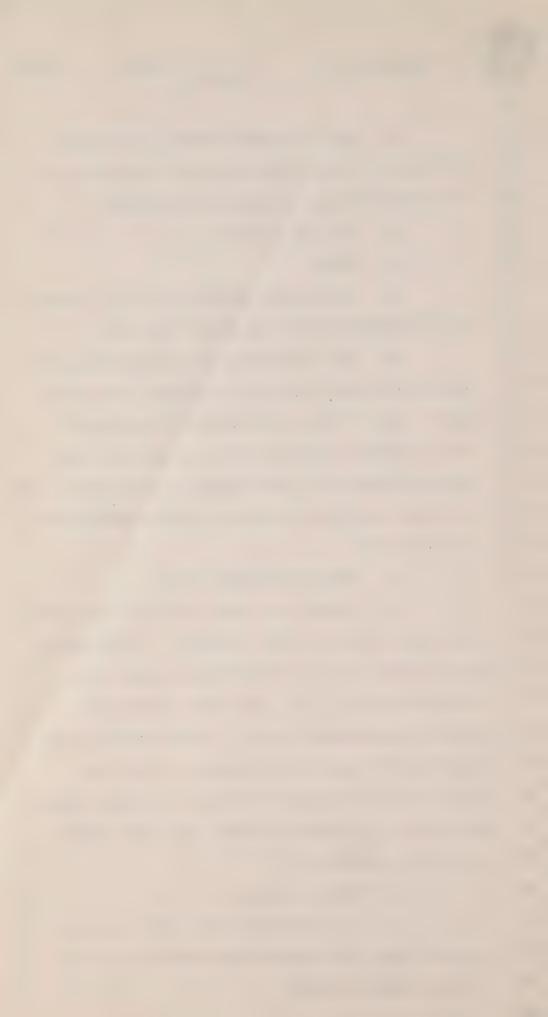
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A. That is right.

- But in the end result you put on 17 and take off 10 which leaves you with 7; or you put on 17 and take off 5 and it leaves you with 12?
 - A. That is correct.
 - Q. Sure.
- We might get 10 per cent of it, and yet A. under a graduated scale only apply 7 per cent;
- Q. Just emphasizing and re-emphasizing the distortion in the freight rate structure, but at the moment I want to call your attention to the fact I find it somewhat intriguing that you would run away from the suggestion of the electrical manufacturers, when they suggest you are doing that every day with the competitive rates?
 - A. Not in that manner, sir.
- Q. On page 32 I want to ask you about something that struck me rather forcibly. In the first full paragraph, the first sentence, on page 32 you say "This method . . . " -- and that is still the graduated percentage increase -- "This method has the disability of increasing the burden on short haul shippers and introducing the relief on long haul shippers without any evidence to show that this would be equitable or necessary."
 - That is correct.
- Q. Mr. Roberts, you have said many times that the Board of Transport Commissioners is not an economic planning agency?



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A. That is right.

And should not be?

- Q. But you regard yourself as being a sort of an economic planning agency, apparently?
 - A. No. sir.

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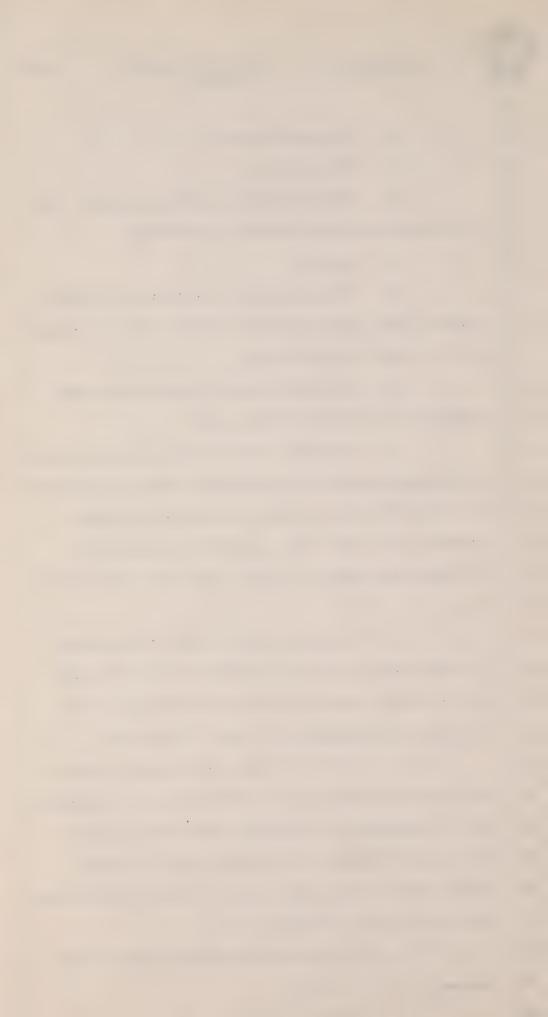
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- Q. Well, why is it your concern that the relief to the long haul shippers would not be necessary?

 Who is to say it is necessary?
- A. The free movement of the goods proves whether it is necessary or not, sir.
- Q. Why should there be any onus on the long haul shipper to show that the relief which would result in some amelioration of this horizontal percentage increase method was either equitable or necessary?

 Why should the onus be on him to show that it is necessary?
- A. Mr. Frawley, the traffic is moving at a certain level of rates in relation to all the rates in the freight rate structure, and we apply the flat increase proportionately over all of the rates.
- Q. I put it to you, you know, Mr. Roberts, very sincerely that a lot of these ideas you have about what is necessary to the shipper come from the fact that you are dealing with middlemen and it doesn't matter very much how much freight they pay because they pass it on to the consumer?
- A. No; we are dealing day to day with the shipper.
 - Q. With the shipper?



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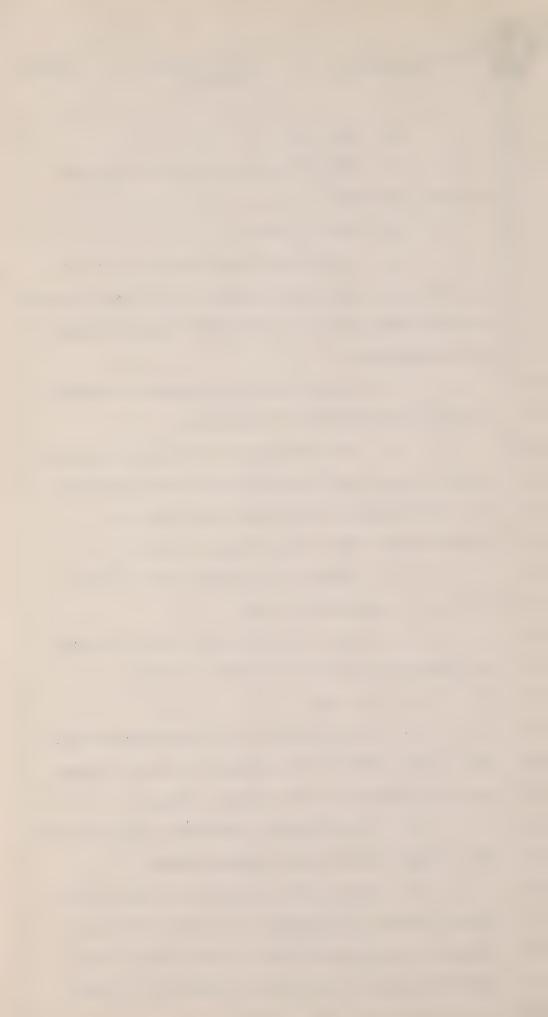
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- Q. And you don't think it is quite suffi-
- cient to look at the excessive contribution that he is

A. Yes, sir.

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TORONTO, ONTARIO

- With the traffic officers of the big shipping companies?
 - A. That is correct.
- Q. And what does the traffic officer of a big shipping company care, except to the extent a freight rate increase affects his individual corporation and its shareholders?
- A. He does care in so far as the movement of traffic is concerned into the markets.
- Q. If you charged him an extra 17 per cent and he can get that extra 17 per cent from the people who buy his goods, whether they are peanuts or chesterfields, what does it matter to him?
- A. I think it is important to him, sir. I think it is important to him.
- Q. Well, I think you have been living too long with blinkers on as a traffic officer?
 - A. No. sir.
- Q. And you think it is not enough that you should look, when you are talking about what is necessary or equitable, to the long haul shipper?
- Well, sir, we look at the service we give Α. him and apply the increase proportionately.
- making in that long haul rate -- class rate or noncompetitive rate -- maybe 200 or 300 or 400 per cent of out of pocket costs -- that is not any particular

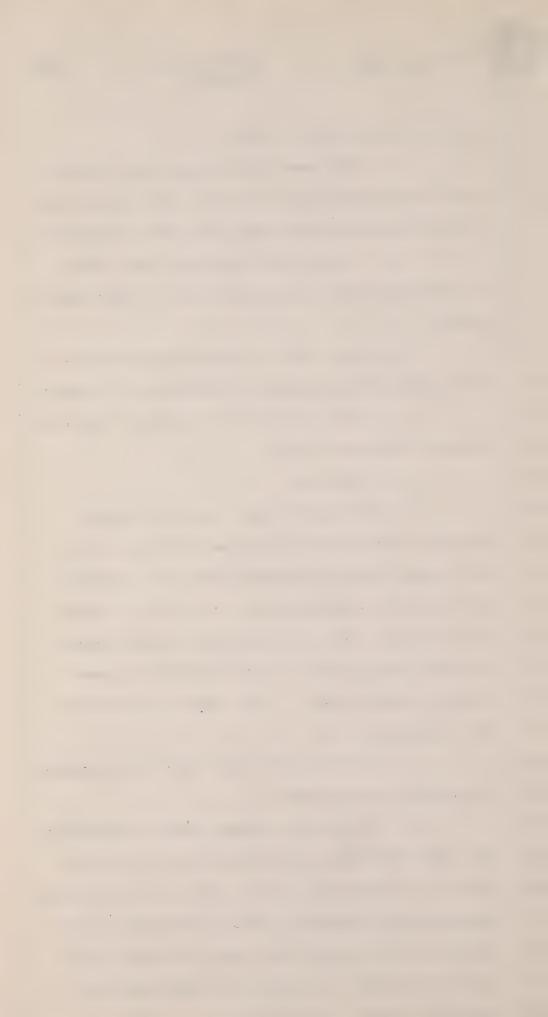


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concern to you in and of itself?

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- A. What contribution we get from a rate of that level assists in moving traffic that does not pay near that level; in other words, the basic commodities.
- Q. And you say, having made that little algebraic equation, that that is fine -- "I end right there"?
- A. Well, this is recognizing the necessity to move all different types of traffic in this country.
- Q. That is the way the Canadian freight rate structure functions today?
 - A. Yes, sir.
- Q. And that is why I said to you this morning -- and you will forgive me if I repeat it -- that perhaps the most important issue this Commission has to decide is whether or not that kind of freight rate structure, which was before the Governor General in Council when he set up this Commission, is good enough in Canada today? Isn't that an issue before this Commission?
- A. It is an issue: the rates and the method of applying rate increases.
- Q. And you don't think that the concomitant fact that while I am paying 200, 300 or 400 per cent on out of pocket costs, that Mr. Sinclair over here who happens to be a receiver of skelp in Vancouver is only paying the out of pocket plus some because I will go along with him, by law you must get something more than variable, depending how you cost the variable,



non-competitive commodity rates?

A. One is a question of competition. That is why we have the agreed charges.

of course -- it doesn't matter to you that I am paying 200 or 300 per cent -- in and of itself -- on out of pocket, and Mr. Sinclair is just paying out of pocket plus a sliver more?

- A. If it does not matter to us we would not endeavour to maximize our net revenue by handling traffic out to the coast at competitive rates.
- Q. I say you are trying to maximize it at the expense of the receiver who is paying 200, 300 or 400 per cent of out of pocket costs?
 - A. No, sir.

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Q. Now, Mr. Roberts, will you look at page 36. I would like to analyse with you for a moment what you say at the end of that top paragraph, "The position of the traffic officer is similar to the position of this Commission in that all shippers in all areas of Canada must be considered and advantages to one area or any shipper over another or action detrimental to the railways must not be approved."

Now, I put it to you that the shipper whose traffic lends itself to rate treatment by agreed charges, and takes no increase when increase time comes around, is advantaged -- he is advantaged vis-a-vis the shipper on the N.A.R., if you will allow me once more to commit a sacrilege and refer to the N.A.R. -- who ships and receives his freight at class rates or





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are treated on the same basis.

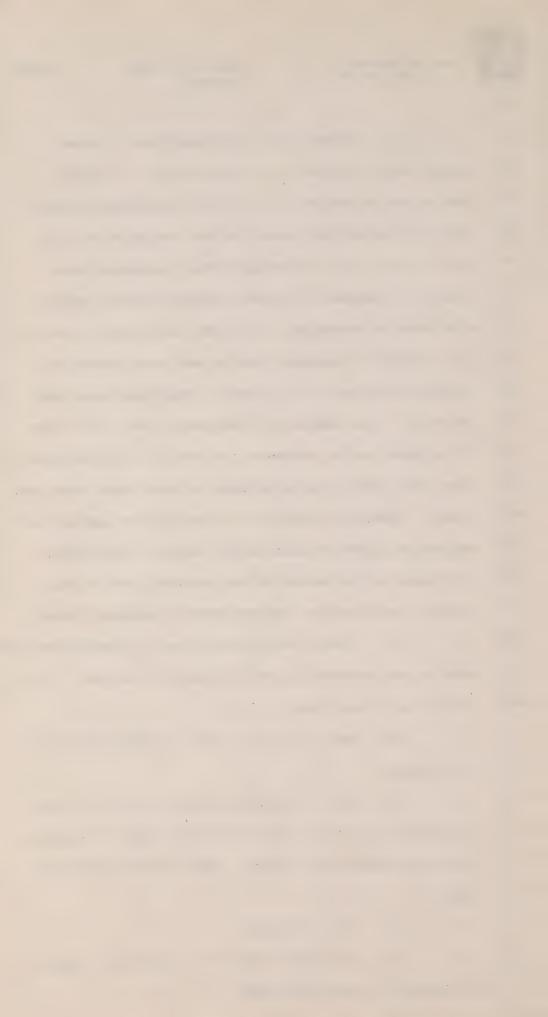
Q. Fine, but I say regardless of those reasons which put you in a strait jacket -- I admit that -- but regardless of the basic underlying conditions, it is the end result we are dealing with, and I put it to you that the shipper whose business lends itself to treatment of agreed charges and who pays a rate which is averaging -- and the last figure I saw -and somebody in Canadian Pacific was very anxious to call my attention to it -- was 2. something cents per ton mile. But, whatever it happens to be, and after it is costed out -- whatever its returns over variable --I say that that class of shipper is advantaged under the present Canadian freight rate structure as against the shipper who finds because of the lack of competition or because of the nature of his movement that he has to pay class rates or non-competitive commodity rates?

First, the class of traffic that is handled under agreed charges is pretty general in nature. It is not any particular type.

Well, if it was not, it certainly is now, Mr. Roberts.

And the agreed charges that are in cover all types of traffic to meet different kinds of competition as and where they exist. That is the reason for them.

- That is right. Q.
- And other than that, shippers in Canada
 - Other than what you are forced to do by the



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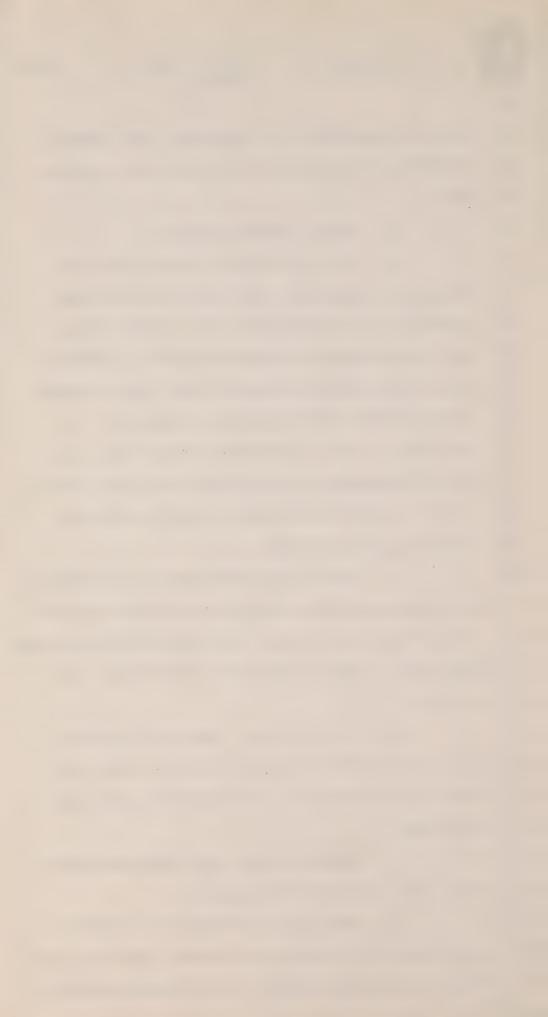
of Canada are treated very fairly and on an equitable basis?

A. In my estimation, yes, sir.

Q. Now. Mr. Roberts, will you tell the

forces of competition, other than that, the shippers

- Q. Now, Mr. Roberts, will you tell the Commission, if not now -- and I don't know how much information you have brought -- but I would like to know the percentage of increases effected in 1960 by reason of the escalator clauses in the agreed charges? I would like that revenuewise and tonnagewise. I would like to know how successful you have been in getting the shippers to pay you more money under their contracts or enter into contracts which contemplate them paying you more money?
- A. There haven't been any on which increases have automatically applied under the modified escalator clause because there has not been any increase authorized within the 12 months' period the contracts have been in effect.
- Q. Oh, yes, I see. Even the escalator clause only allows you to go to them and obtain more money on the basis of the rates which the Board has authorized?
- A. Increases, sir-- after they have been in effect for a period of twelve months.
- Q. But there is nothing in the contract which enables you to go to the contract holder and say, "Our costs have gone up now. We can demonstrate that to you, and we want an increase now in the amount of



this agreed charge."?

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A. It is always subject to negotiation, yes.

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Q. Well, it is that kind I mean.

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A. Yes.

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Q. You tell me there has been no authorized increase because of the government freeze order?

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MR. SINCLAIR: I will make this shorter, Mr.

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Chairman, and say this on behalf of the company, that

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we will make a check and see how many -- the dollar

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amount of increases that have been made through negotiation on the agreed charges from the period January 1st to

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the end of September -- would that be all right, Mr.

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Frawley?

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THE CHAIRMAN: And the tonnage.

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MR. SINCLAIR: Well, tonnage -- I don't know; it means we have to go and get out waybills and material

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like that.

want either of them?

estimate on it.

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MR. FRAWLEY: Oh, no, you are too busy to do

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that.

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MR. SINCLAIR: Just the money -- you don't

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MR. FRAWLEY: Oh, yes. You said getting the

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tonnage would be an extraordinary effort.

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MR. SINCLAIR: We will get the money -- an

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MR. FRAWLEY: Yes, get the money and I will

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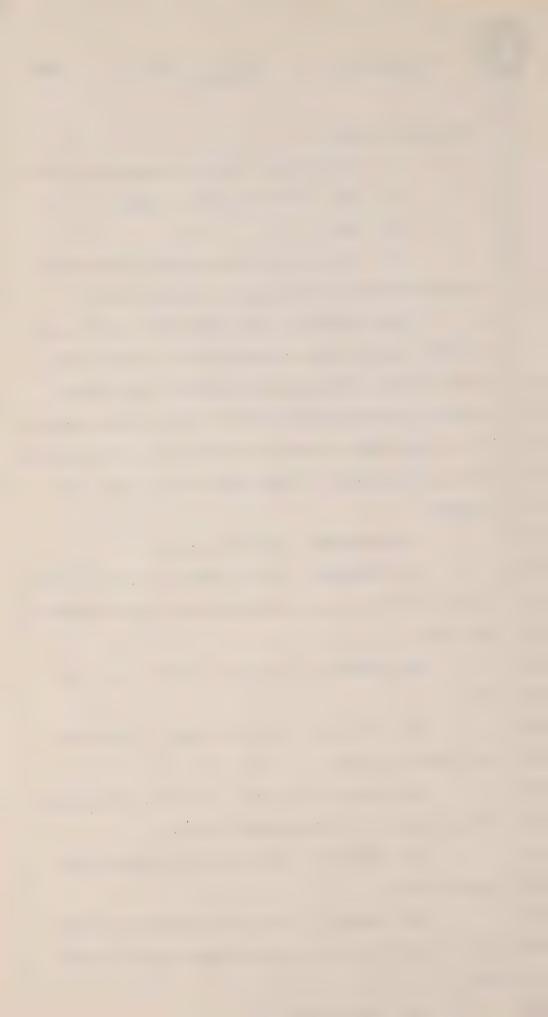
hold in reserve any future application after I see the

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money.

Q. Mr. Roberts, I have only one more thing



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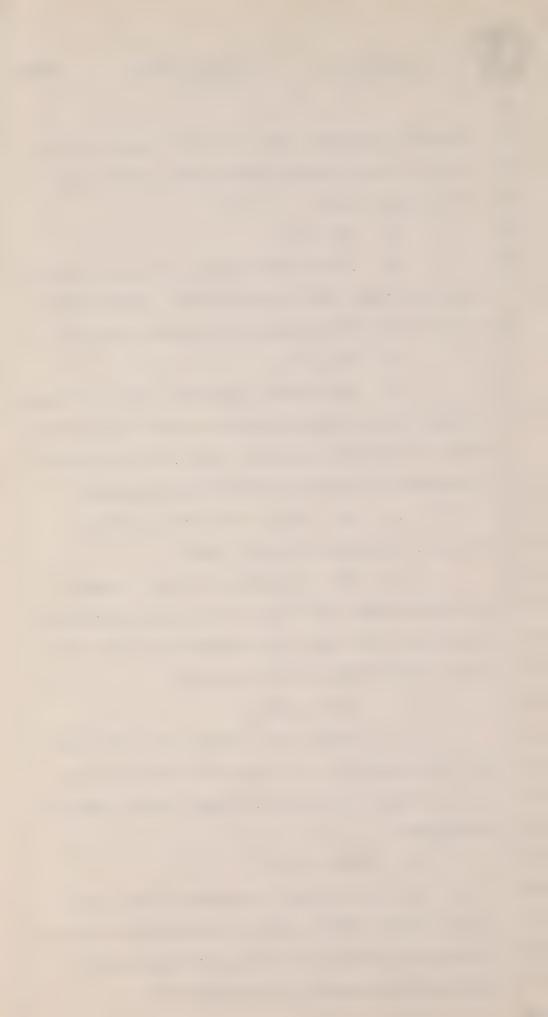
to talk to you about, and that is with regard to what you say at page 39 with regard to what you call the "At and East" rates?

A. Yes, sir.

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- Q. I don't know why you call them that, but let us not take time to go into that. You say there that you were getting ready to put those rates up?
 - A. Yes, sir.
- Q. And then you found that the United States railways to meet seaway competition sort of spoiled that because they reduced the grain rates from United States lake ports to the eastern United States seaboard?
- A. Well, you are going back a year now.

 They were reduced in September, 1959.
- Q. Yes. On page 39 you say, "In 1959
 the United States railroads to mest seaway competition
 reduced the grain rates from United States lake ports
 to the eastern United States seaboard."
 - A. That is right.
- Q. Then you say, "It was obvious that the hope of bringing the low 'At and East' grain rates to a proper level by continued increases was not going to be realized."
 - A. That is right.
- Q. What I don't understand is when you go on and say that later on you then decided you were going to make an investigation, and Mr. Edsforth told the Commission he was making an investigation?
 - A. Yes.



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Q. And so, you had your foreign traffic officers instructed to study the rates to all ports and, "to develop a basis which would assure that all movements were compensatory and were making the maximum possible contribution. This matter is being actively progressed and it is anticipated that increased rates will be filed with the Board in the near future."

A. Yes, sir.

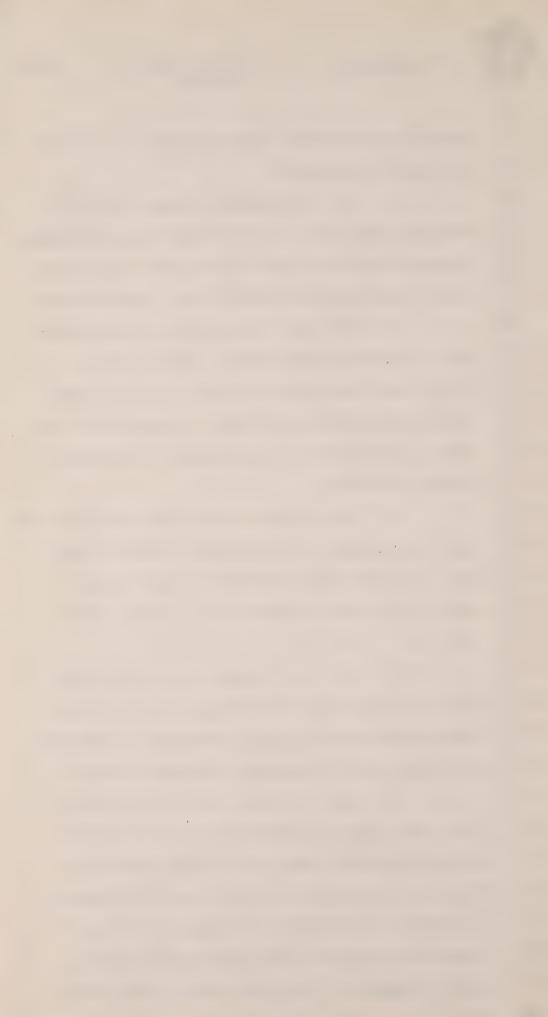
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- Q. How can you file higher rates if the United States railways have reduced their rates, and the "At and East" rates are geared to these American rates between Buffalo and New York?
- A. The relationship between the two sets of rates was lost in September when the United States lines reduced their rates from Buffalo to New York.
 - Q. All right.
- Now, we can't continue to handle traffic which does not make a full contribution to variable cost plus something more, and we know this is the situation in so far as West Saint John is concerned, and it is our object to bring the rates up so that they will meet at least variable costs and something more.
- Q. And then the traffic will go from Buffalo to New York?
- A. This is Canadian grain, and I don't think it will.
- Q. Well, why were you concerned that the United States -- why do you say at page 38, "For many years 'At and East' grain rates were maintained on a



competitive relationship basis with the rates on grain from Buffalo to New York"?

- A. That is correct, for many years, but finally we came to the situation where the United States railways reduced their rate and we haven't found there has been any diversion of traffic as a result of that.
- Q. All right, but why were you maintaining your "At and East" grain rates -- Canadian rates -- at the competitive relationship basis with the rates on grain from Buffalo to New York if, as you have just told me, you don't think Canadian grain will go from Buffalo to New York?
- A. This is what we have found to be the case since the reduction in the rate from Buffalo to New York. We don't feel there has been any loss of traffic to the port of New York as a result of the reduction.
- Q. You mean for years and years you kept
 the "At and East" grain rates on a competitive rate
 basis with the rates on grain from Buffalo to New York,
 and now you learn you need not have done it at all?
- A. You must realize these "At and East" grain rates have been taking increases regularly in accordance with the rates from Buffalo to New York. They have been moving up and, as I say in the precis of evidence, we had hoped that they would be on a remunerative basis with the upward movement of the rates from Buffalo to New York, but this reduction last September -- as a result of that we realized that



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MR. FRAWLEY: Q. Do you have a rate like

this was not going to be accomplished.

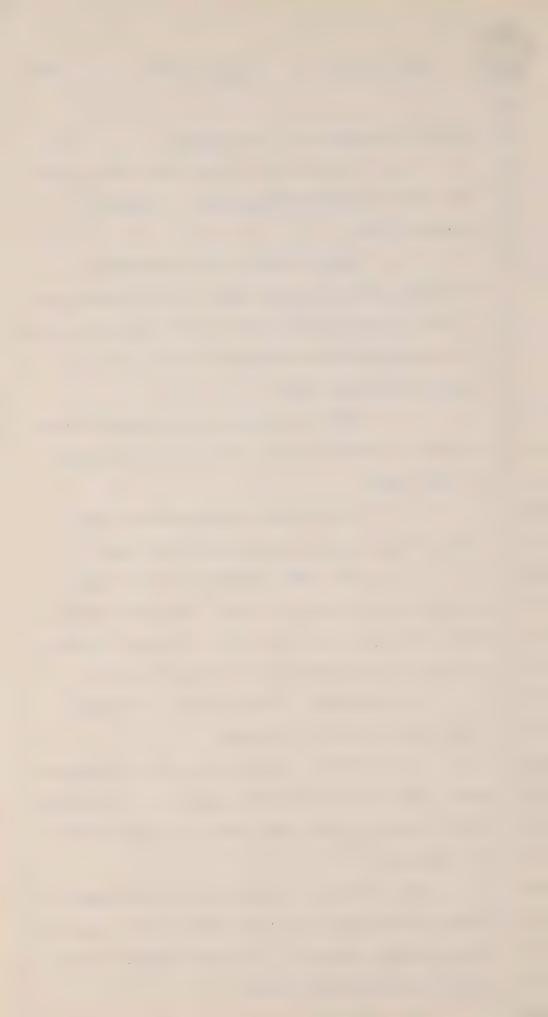
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- Q. And you also realized that what you had been doing for years probably wasn't a necessary situation at all?
- A. Well, I think it was accepted as a necessity, certainly at the outset of the movement and for years thereafter, that there was a competitive situation existing between Buffalo and the Bay ports in Canada for Canadian grain.
- Q. There may have been, but somewhere along the line it ceased to exist, but you didn't find that out until 1959?
- A. The rates were being increased right along and moved traffic through West Saint John.
- Well, they certainly must have been low because as of the 8th of April, 1960, the rate on grain ex lake for export from Port Colborne to Halifax just returned you 6/10ths of a cent per ton mile?

MR. SINCLAIR: Port Colborne to Halifax belongs to my friend Mr. McDonald.

MR. FRAWLEY: Q. Oh, well, this is the fact, anyway, that you would be glad to get it? If you had a line into Halifax you would take all of that traffic you could get?

MR. SINCLAIR: I would say, Mr. Chairman, the witness is not going to be here discussing the moments of the Canadian National. It is hard enough for us to look after the Canadian Pacific.



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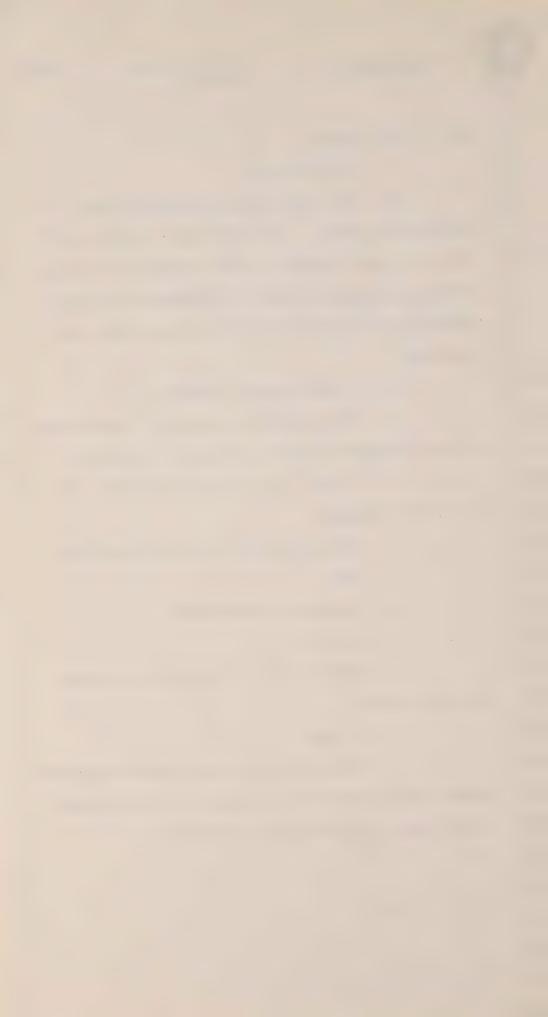
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that to Saint John?

- A. We have, sir.
- Q. And it returns you about the same -- a little less, maybe? .655 cents per ton mile -- 18 cents a car mile earning -- that is what the Canadian National get on grain from Port Colborne to Halifax. How much better do you do from X to Saint John, New Brunswick?
 - A. I think you are looking at ---
- Q. I am looking at CNE 56-4. Do you know what the Canadian Pacific counterpart to that is?
- A. I don't, no, but our revenue per ton mile would be higher.
 - Q. Because you have a few miles shorter?
 - A. Yes.
 - Q. You stop at Saint John?
 - A. Yes, sir.
- Q. You don't take it over on the Princess
 Helene to Digby?
 - A. No, sir.
- Q. Well, the "At and East" grain rates have always been a mystery to me, and, as far as I am concerned, they are just as big a mystery now.

---Short recess.





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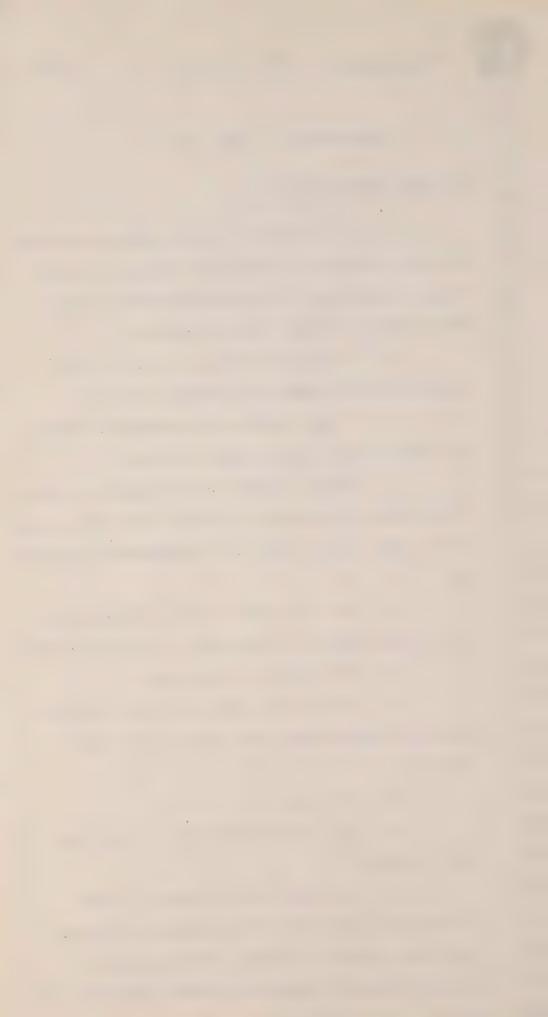
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THE CHAIRMAN: Order, please.

BY COMMISSIONER GOBEIL:

- Q. Mr. Roberts, when Mr. Brazier discussed with you the effect of the general increase on class rates, he asked you if you lose any traffic, class rated traffic to trucks, and you said yes?
- A. Yes, sir. There is a loss of class rated traffic to trucks, on occasions, yes, sir.
- Q. I was thinking that instead of losing it, that you would place competitive rates?
- A. Well, we also publish competitive rates to take care of situations, to regain that traffic when it gets away from us, sir, or in an endeavour to regain it.
- Q. Yes. You may lose it, but most of the time you are gaining it back again by competitive rates?
 - A. By competitive rates, sir.
- Q. And he also asked you if you have even considered reducing your class rates to move more traffic?
 - A. Well, sir, ---
- Q. Is it not by definition a class rate never reduced?
- A. The class rate, of course, is the ceiling rate to take care of the movement of traffic that is not general in nature. This is largely speaking. Regular movements of traffic are taken care of by normal commodity rates and competitive rates and





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agreed charges; large blocks of traffic.

- Q. Would I be right in saying that by definition the class rates are never and should never be reduced, since they are the maximum?
- A. They are the ceiling, sir, on which the rate structure is based, and they are related, of course. We use the class rates as the basis in connection with our general revenue cases involving permissive level of earnings. It is based on the class rates. This is the basis for our rate structure. We work from that.
- Q. Later on, Mr. Brazier, in discussing your famous exhibit 162, brought out that idea of population or per capita for the central provinces and the western provinces. And Mr. Smith emphasized that, too.

I do not see very well what it has to do with the central provinces, if they spend 5.00 per capita and the west, \$13.00, except that it would mean that they use more; the railways; that is all. But you said, also, if they would have the same ton-miles and if they would be paying three times as much, then it would be different. But you said that each dollar will get the same ton-mile either in the central province or in the west?

A. That is correct, for each dollar paid

for service, they received 50 ton-miles of service. In

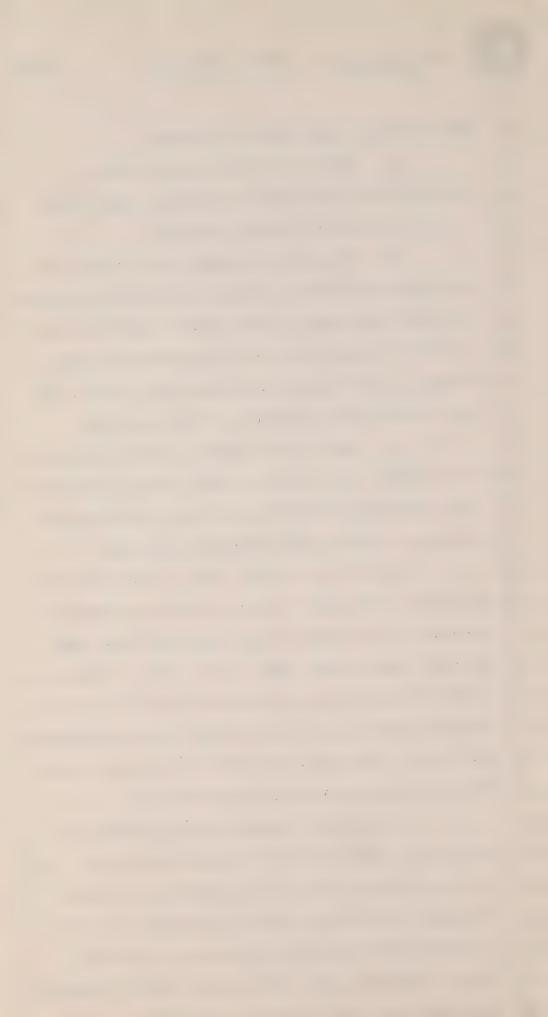
the case of within the west and traffic from Ontario

and Quebec to the west, the ratio of revenue of \$1.00

to service was 51 ton-miles of service. And within

Ontario and Quebec, plus from western Canada to Ontario

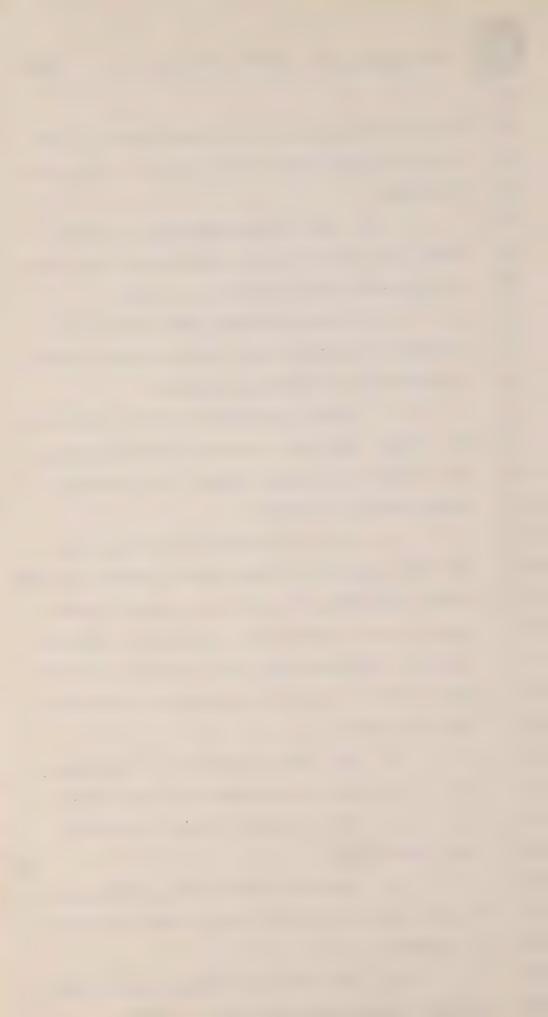
and Quebec, the ratio of revenue of \$1.00 to service, or





50 ton-miles of service. So, proportionately, they each receive the same amount of service for the price they paid.

- Q. Those figures given by Mr. Brazier simply show that the west is using two to three times more ton-miles than the center of Canada?
- A. Because of the extent to which the population is scattered over the large area. We have a concentration in Ontario and Quebec.
- Q. But I was surprised at those figures you gave because the west is supposed to have long haul, and on long haul you have tapering, so it should be cheaper there per ton-mile?
- A. Well, the taper is in the long haul, but I was dealing with within western Canada, and within Ontario and Quebec, sir, you see. Included in that was the traffic from the west to the east. That was included in with the Ontario and Quebec and from the east to the west, which was included with the within the west figures.
- Q. Yes. But in the west, you would have your grain, though, which reduces your costs much?
- A. Well, the grain was not included in those figures, sir.
- Q. Are those figures there, if the grain is eliminated, based on service; is that a good basis for comparison?
- A. Well, this was a comparison of traffic moving on normal commodity rates, Mr. Gobeil.



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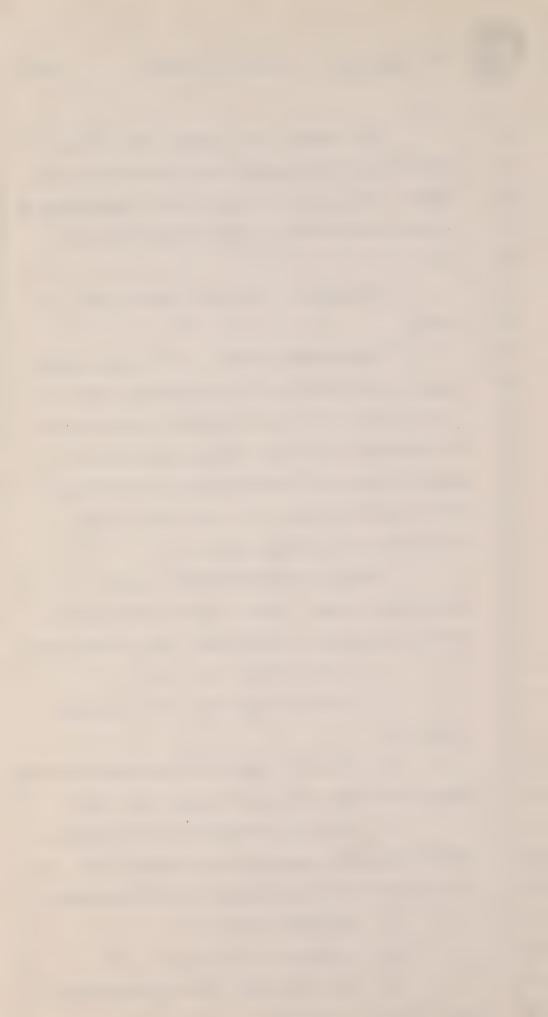
MR. MAURO: Just a moment. Mr. Roberts. was in reply to my question that you provided those figures. Do you say they were traffic terminating in the east as compared with that terminating in the west?

THE WITNESS: No, sir, there was two, as T said.

COMMISSIONER GOBEIL: Q. In this costing captive traffic that Mr. Cooper discussed with you --I do not want to go into that captive traffic again, the definition, but since you said there was no captive traffic, Mr. Cooper asked you why we should have a regulatory body. You said that you want regulation on the freight rates.

Are you satisfied with the present regulation you have? Do you consider that you have sufficient freedom in establishing your freight rates?

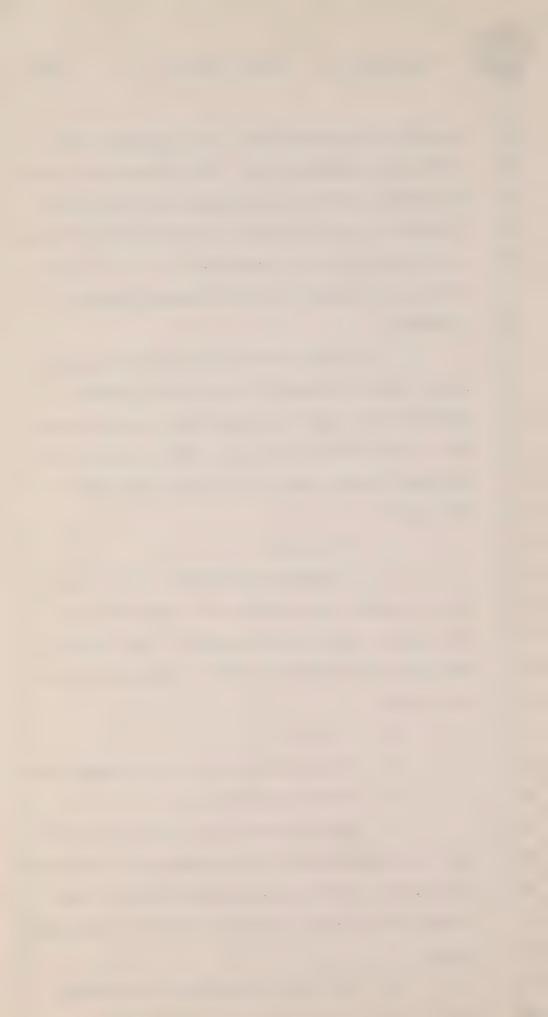
- A. Yes, sir; yes, sir, I do.
- You are happy the way the situation stands now?
- Yes, sir, insofar as the making of rates, competitive rates, and agreed charges, yes, sir.
- The C.N.R. suggested some amendment to the Railway Act in connection with freight rates. You do not feel that those amendments would be necessary?
 - A. Is that section 334?
 - I think it is 328 and 334, yes.
- Well, the 334, sir, is the competitive rate section and it is certain information which may be





required by the Board should they investigate any particular competitive rate. The information is based, Mr. Gobeil, in assessing a competitive situation, so therefore we would require to have that information in our records to satisfy ourselves, so I do not think that is any hardship so far as Canadian Pacific is concerned.

- Q. Yes. You had a long discussion, of course with Mr. Brazier on the British Columbia proposal, and I took some notes when you talked with him. Your first objection, you said that it will be much more complex than it is now for the freight structure?
 - A. Yes, sir.
- Q. And the second reason, you said, was that it would be more expensive to administer, and then you put the third reason, that it would bring different normal commodity rates in different parts of the country?
 - A. Yes, sir.
 - Q. Which do not exist at the present time?
 - A. That is correct, sir.
- Q. What objection would there be to that, since you have different rates competitive in different parts of the country; what difference would it make to have it with the class rates, or the normal commodity rates?
- A. Well, of course, this is an overall situation, Mr. Gobeil, whereby we could have conceivably





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one rate, normal rate, for 200 miles of haul in western Canada, mileage-wise. And, for a haul of a similar distance in eastern Canada, the rate, because of the terminal service or branch line service, because of higher operating costs, could be higher than the rate in western Canada or vice versa for a normal rated movement.

Overall, in normal traffic, why, we consider that the rates should be on the same basis all over Canada. Competition will take care of any adjustments wherever they occur.

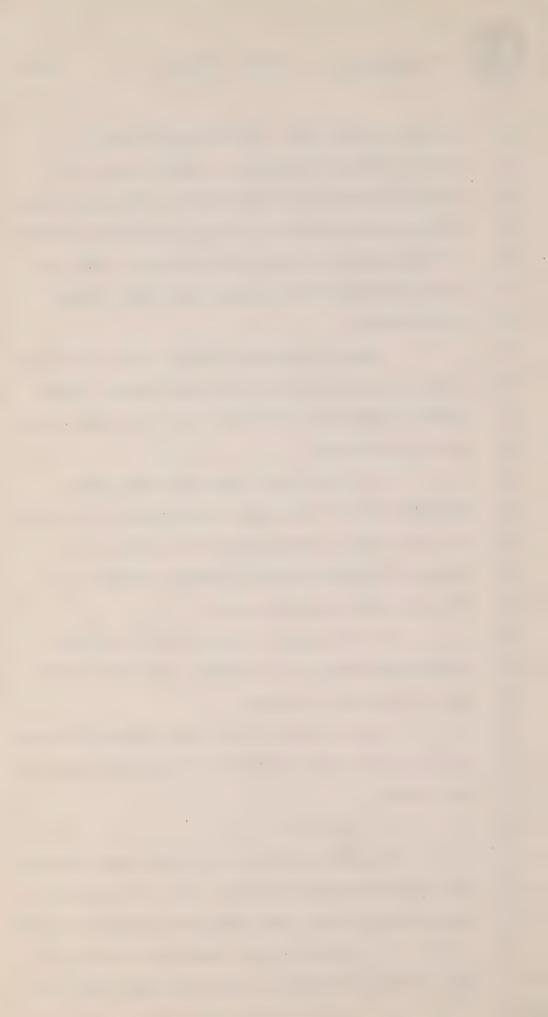
Q. Yes. Your fourth objection, and I think that was the main one, you said that if this was done you could not meet competition, and the C.P.R would go into deficit and go bankrupt eventually. I think that was your main reason.

To find out if I got how you will become deficit and eventually go bankrupt, may I ask you if what I have here is correct?

You said that you have some competitive rates which are much higher than fully distributed costs; is that right?

A. Yes, sir.

- Q. And, second, on the other hand, you had some competitive rates which not only were lower, but which had to be much lower than fully distributed costs?
- A. There are some competitive rates, sir, that are lower than fully distributed costs, yes, sir.
 - Q. So the C.P.R. could not live with those



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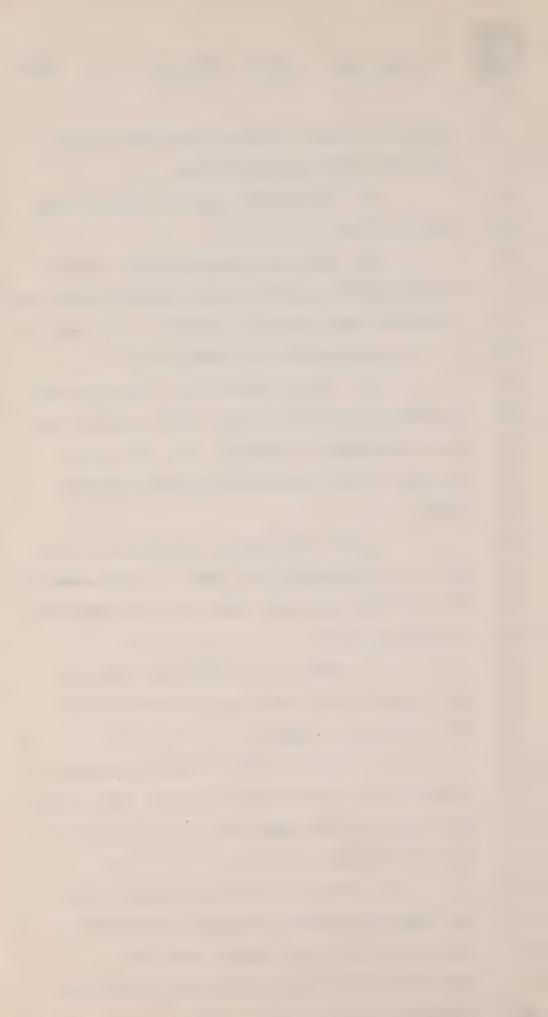
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competitive rates, if they have only those which are lower than fully distributed costs?

- We could not live with rates on that basis, sir, no.
- Q. Then, you have some traffic which is captive because it is too low for competition, and that is why the other mediums of transport do not touch it; so, with this one, too, you could not live?
- A. That is correct, sir, because we have the primary commodities moving all over Canada: the fruits, vegetables, limestone, coal, such basic materials as that, which move on normal commodity rates.
- Q. The only two you make money on -- real money -- is the normal class rates or normal commodity rates and the competitive rates which are higher than fully distributed?
- A. Well, it is a balancing system, sir, that we try to obtain the best contribution we can from all types of traffic.
- Q. Yes, but that is the only two groups, though? It is not on the captive traffic, which is low, and it is not on the competitive traffic, which is lower than fully distributed?

A. Well, it is the class rated traffic

and competitive traffic and agreed charge traffic, generally speaking, that makes a very good contribution. This higher rated traffic offsets the instances where we do not get our full contribution,

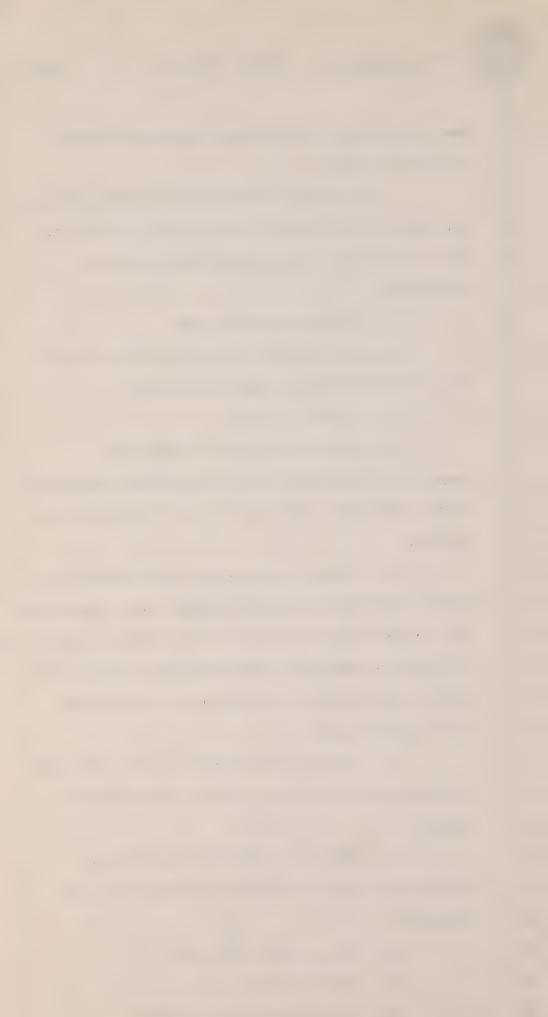




A. And you would not be able to meet the Q.

due to reasons of competition or necessity to move
the traffic freely.
Q. And so if the British Columbia principle
was applied, your normal class rate will be able to
get just the fully distributed, plus a certain
percentage?
A. That is correct, sir.
Q. As a result, that class rated traffic
will be lower than some competitive rates?
A. That is correct.
Q. And those who are shipping at
competitive rates will come to you and they want to be
at the class rate, too, and you lose that competitive
traffic?
A. This is where we see the trouble, Mr.
Gobeil, that naturally people shipping under competitive
rates higher than what might be the maximum this is very
noticeable would have to prove that their traffic was
captive, and therefore subject to the ceiling rates,
which would be lower.
Q. And in a few words, in a nut shell that
is why you say it will be a deficit and eventually
bankrupt?
A. That, sir, plus the fact that the
ceiling would only be increased to reflect the cost
in wages?
Q. Yes, no more than 200?

That is right, sir.





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competition any more with your traffic which is below fully distributed costs; you have no money left to spend?

- Well, this would be the eventual result. sir.
- From what you say -- Mr. Sinclair, when he cross-examined Dr. Roberts, the other Roberts, Dr. Roberts, gave a quotation by him, where Dr. Roberts said that competition cannot perform effectively if its basic function is restricted. The case you mention now -- that is where it would apply?
 - A. That is correct, sir.
 - Your competition would be restricted? 0.
 - Competition would be restricted, yes. COMMISSIONER GOBEIL: Thank you.

BY COMMISSIONER MANN:

- Mr. Roberts, something that arose out of the question of Commissioner Gobeil put to you as to whether you were completely happy with the present rate regulation. Your answer, as I understood it, was an unequivocal yes; you are happy with the present rate regulation as administered by the Board of Transport Commissioners?
- I think I am also on record previously. Commissioner Mann, to that effect.
- I have not had much time to think about the implications of that answer, as it only took place about a minute or so ago, but I do remember not very



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long ago that both railways made application to the Board for greater freedom in increasing competitive rates which now have to be published on 30 days! notice.

Now, there is one thing that you would like to have undone; is that not so?

A. Well, provision is made in the revised tariff circular, sir, to publish competitive rates. There is more freedom in doing it. In other words we can under the circular publish a rate, say, next Monday and file it with the Board, a spot rate, to take care of a movement that happened today.

- No. Mr. Roberts. Note that I did not say "publish"; I said "increase".
 - A. Increase?
 - Q., Yes?
 - A. Oh. yes, sir. That is right.
- You have to give 30 days' notice to Q. increase a competitive rate and you and the Canadian National made application to the Board not very long ago to get greater freedom with regard to that time limit?
 - Yes. sir, that is correct.
- So, there is one way in which the Q. present rate regulation is restrictive as far as both railways are concerned?
 - In that respect, yes.
- I have not had time to think of any 0.0 other example, but that was what came to mind.





Now, Mr. Smith and Mr. Frawley discussed the "at and east" grain rates with you, Mr. Smith, coming from where he does, has a very understandable interest, and Mr. Frawley has spent so much time in the east that he, perhaps, follows Mr. Smith very closely. There was one remark that you made at that time which I was very interested in. You said to Mr. Smith, and I believe also to Mr. Frawley, that you do not expect there to be any diversion of traffic at all either to U.S. ports or to other Canadian ports as a result of increasing the "at and east" rate to West Saint John; is that correct?

- This is grain? Α.
- Q. Yes?
- A. That is correct, sir.



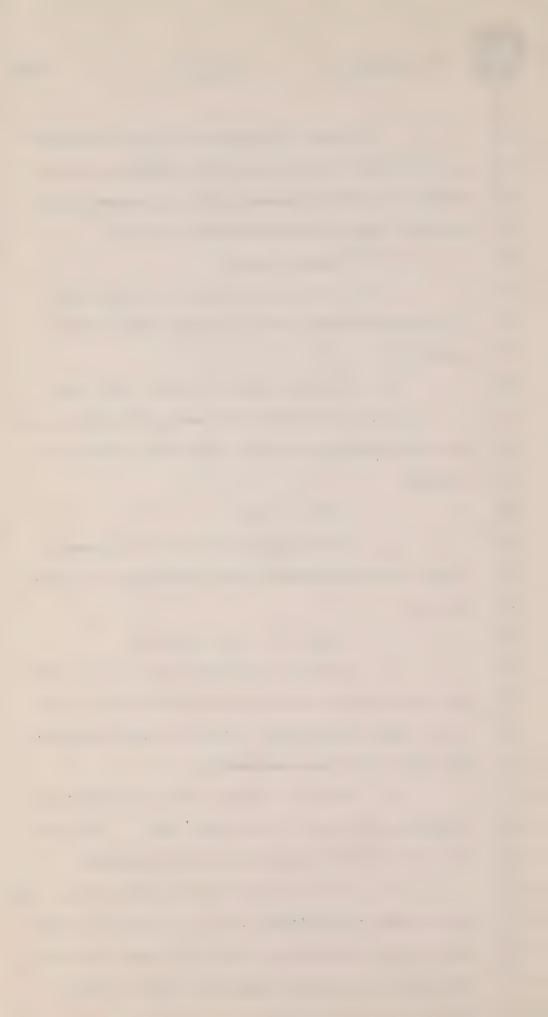
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grain	rate	was	the	provi	sion	of a	Can	adian	n ro	ute	for
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routir	ng of	grai	n th	rough	Ame	rican	cha	nnels	3?		

- A. That is right.
- Q. And it was because of that that the "At and East" rates were, in a sense, port related rates?
 - A. In the original instance, yes, sir.
- Q. And because they were port related rates they took American increases rather than Canadian increases?
 - A. That is right.
- Q. But largely because of the aggressive action of New York Central this relationship was disturbed?
 - A. Right -- it was destroyed.
- Q. And it is for that reason you now feel that increase can be put on at least one port of the "At and East" rate, namely the rate to West Saint John which you say is non-compensatory?
- A. Well, of course, we do not intend only increasing the rates to West Saint John. The other St. Lawrence River ports will also be increased.
- Q. I was going to ask you about that. You say now that the rationale of the "At and East" rates, namely their relationship to the U.S. rates has been destroyed. Is it your suggestion that in future "At and East" rates will be increased in line with



Canadian increases rather than American increases?

- A. I would not like to make a statement in that respect at the moment, because of the basis, the method which we use to arrive at the new rates.
- Q. You mean the relationship to variable cost?
- A. No, sir, the relationship to existing rates.
- Q. But in the first instance am I right in saying that what you do as a key, as an anchor for your new rate structure is to bring your rate to West Saint John up to a compensatory level within that definition of compensatory?
 - A. That is right.
- Q. Well, it presumably will go in the rates to Montreal, Three Rivers and Quebec too?
 - A. That is right.
- Q. If you do not expect any diversion of traffic as a result of increasing the rates to these points?
- A. We do not anticipate any diversion of rate traffic.
 - Q. Why is that?
- A. I think the grain will move through West Saint John to fill the elevator in any event.
 - Q. In spite of the rate level?
- A. Well, you see, there will be a certain movement by water but they also on occasion have to use rail because of certain grain being required quickly or





some	such	reason	as ·	that.	Th	e move	emer	nt, a	s we	sho	W
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- Q. But whatever that volume is it will always, independent of the rate level, move by rail?
- A. I would say subject to the normal fluctuations in demand and necessity of moving grain traffic by rail down there.
- Q. Is that not a good example of captive traffic?
- A. Well, no. I think -- well, when they have to ship it by rail because of a certain reason, why, it could be considered captive traffic. But, then if it got entirely out of line they would make other arrangements and not ship it.
- Q. Of course, I think you and I both understand that captivity varies with the rate level, that if my rate were orbital there is no captivity as long as the costs of competitive agencies stay low?
 - A. Yes.
- Q. Subject to that qualification it would be captive traffic within a zone of reasonal leness of movement?
 - A. That is right.
- Q. Well, now, you had a very interesting discussion with Mr. Cooper about selective increases.

 Mr. Cooper, I think, suggested to you that the present method of increase, as we know it in general revenue cases, was in reality a selective increase rather than



a horizontal increase and you did not gree with that?

- A. That is right.
- and Mr. Cooper apart was just a question of terminology.

 As I understand it, Mr. Roberts, and correct me if my understanding is wrong, when you assess your need for a revenue increase, when you try to arrive at the percentage which goes into the application made by the railway association on behalf of the railways to the Board, you do so after very careful study?
 - A. Yes, sir.
- Q. And in that study, in the course of that study you draw very heavily on your own experience and that of the senior traffic officers at head office and with all the officers in the field?
- A. That is correct, sir, plus commencing with 1956, the 7 per cent increase, we carried on a very exhaustive study as to the effects of the increase.
- Q. Yes, I was expecting you to say that.

 I have here Volume 1029 of the Board of Transport

 Commissioners Transcripts and I was looking up today

 the evidence given by Mr. Edsforth in the 17 per cent

 increase case. I am looking at the precis of evidence

 given by Mr. Edsforth during those proceedings and for

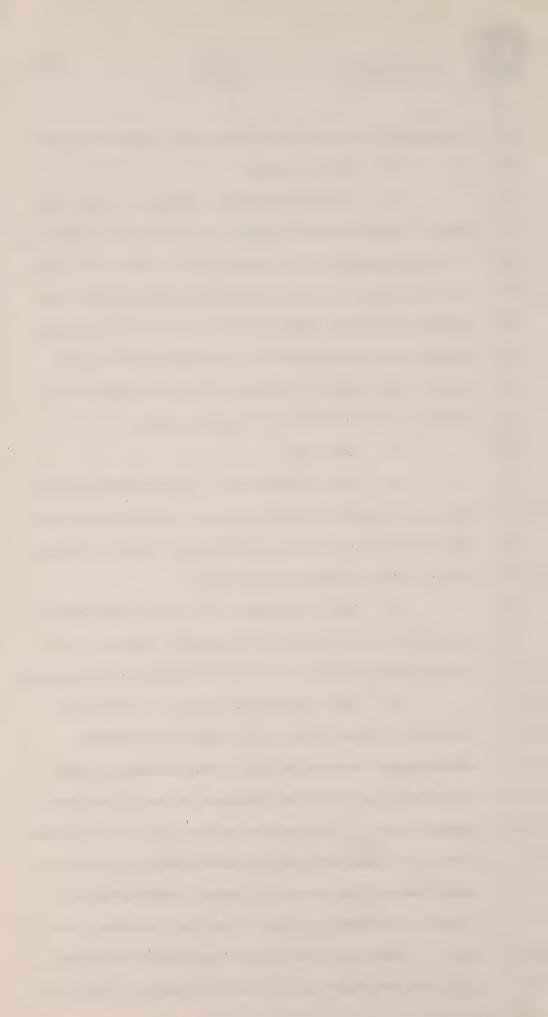
 identification the precis is headed "Memorandum in

 respect of railway revenues -- railway revenues, year

 1958." This is to be found at page 8366 of Volume

 1029, and the pages immediately following. This is a

 quotation from page 8367:



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"In June, freight traffic representatives throughout Canada, and the United States were requested to survey the traffic situation in their territories and prepare an estimate for the last six months of 1958.

They were asked to confer with shippers, review results up to that time and take into account known developments which would affect the traffic volume as compared with the last six months of 1957.

"These reports which were received early in
July were reviewed by Officers at headquarters and in
August and September were tested by several statistical
analyses and against general knowledge of conditions as
they developed."

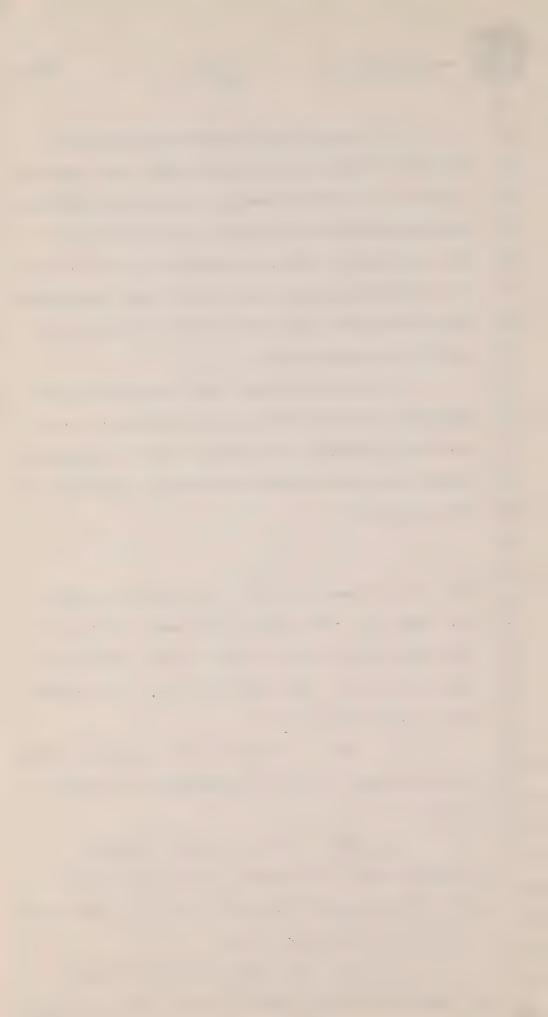
Now, that just bears out what I said earlier, namely that there was a very careful check made of the traffic conditions and reference is made in this transcript to that survey on the 7 per cent and 11 per cent increases that you mentioned earlier?

A. Yes. I think the first statement refers to the procedure we follow in developing an estimate of revenues.

Q. Yes. Now, as a result of these extremely careful checks made by experienced traffic people at headquarters and in the field, you then arrive at erosion and attrition ratios?

A. No. If I may say so, the reference

Mr. Edsforth is making there, I believe, has to do with



our estimate of revenues. As I say, since 1956 following

the 7 per cent increase in 1956 we kept a very close

check of what tariff action had to be taken following

the effective date of the increase where it had to be

used as a basis in the second hearing with the 11 per

cent increment and so cn. We filed statements at that

removed and the revenue involved. Now, that was

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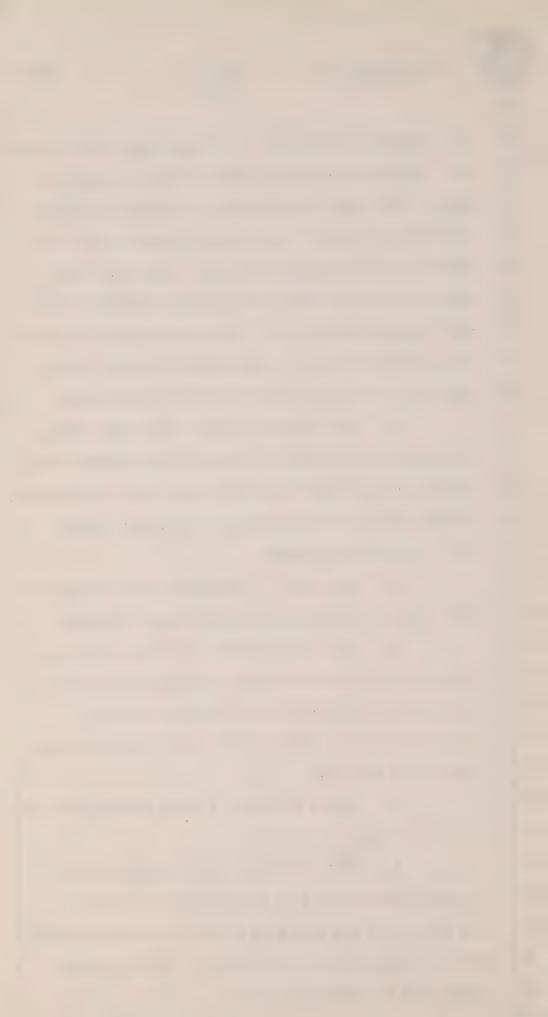
time and we continued to study and the basis of that study was used in connection with the next increase.

Q. So, actually it is a continuing study.

You started out with the 7 per cent and carried it on bringing it up to date with the 11 per cent and you did the same thing before you came to the Board asking for a 19 per cent increase?

A. Yes, sir. We studied the situation at that time in connection with what we had developed.

- Q. And on the basis of that you were able to come to the conclusion that on competitive traffic there would be an erosion and attrition ratio of 50 per cent and on normal traffic there was an erosion ratio of 22 per cent?
- A. Twenty per cent, I think Canadian National was 22 per cent.
- Q. Well, therefore, you were able to tell
 in large features, not in minor detail, as to each
 and every rate you were able to tell in large features
 and regarding the non-peak blocks of traffic whether
 they could be increased or not?
 - A. Well, I would not say that we knew for



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TORONTO, ONTARIO

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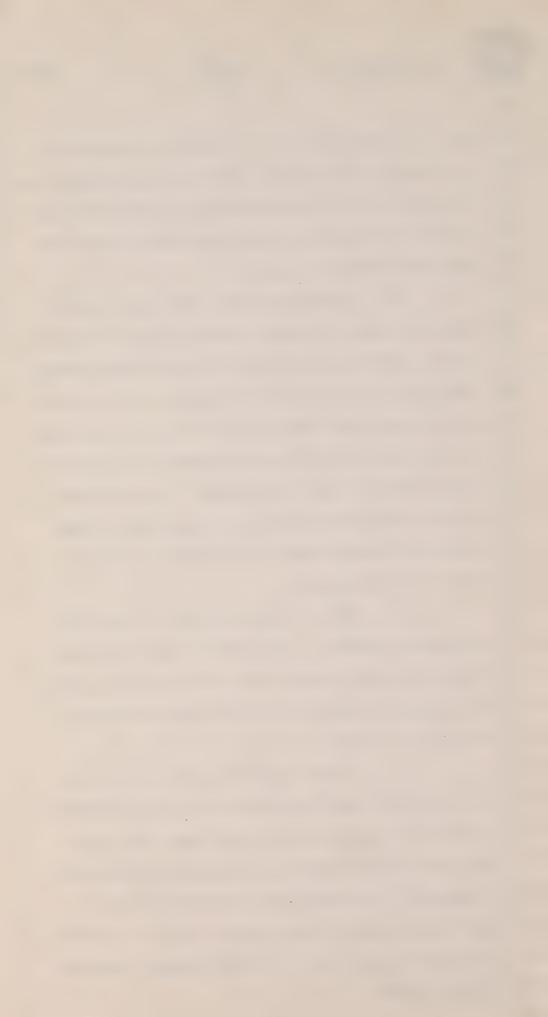
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We had to test to see what the reaction would sure. be but we felt that overall, not on any particular block of traffic, we felt that the return or the yield would be from the increase in competitive rates 50 per cent and normal rates 80 per cent.

- Q. I understand that, but I am a little puzzled by this: if you did not know, if you could not identify any block of traffic and you were just dealing with a great big amorphous and working out your erosion and attrition ratios then I am at a loss to understand how you could make a decision to exempt the incentive rates from the 17 per cent increase. You must have had prior knowledge that the incentive rates on that circuit in central Canada and the western ones just could not be increased?
- A. That is true, in so far as these two rates were concerned. They were the only two exceptions but we did hope that we would be able to include the increase on these rates but at the last moment we were not able to do it.
- Q. I am not suggesting that you could be absolutely sure as to whether or not blocks of traffic could take an increase but I would think that people who work on these competitive rates and are fully conversant with the competitive situation from coast to coast were to make a pretty shrewd guess as to whether you could increase rates on liquid propane gas over 70 or 75 miles.



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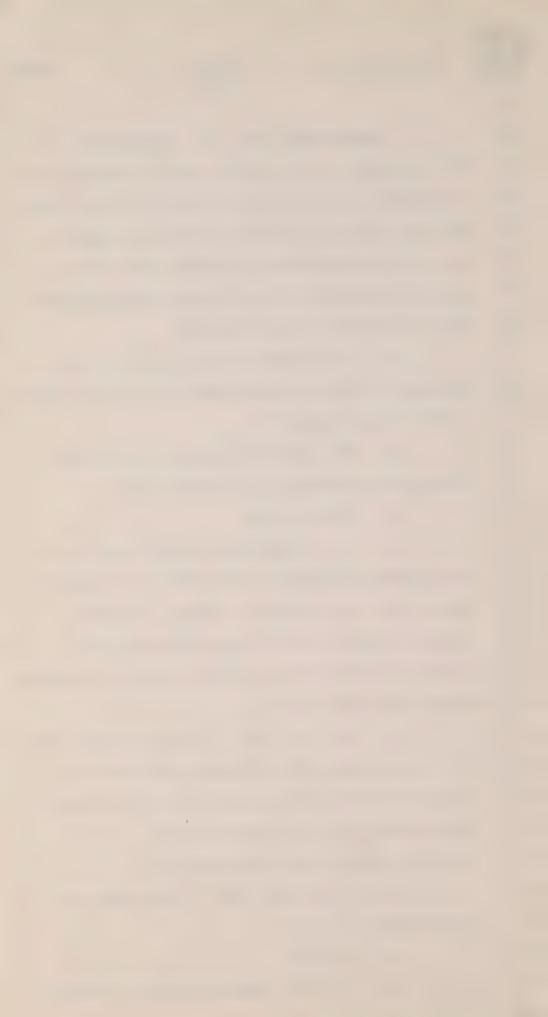
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Q. I was not suggesting that you sit down

COMMISSIONER MANN: Q. Someone has just mentioned bricks -- or whether I could increase any set of competitive rates, both of us would know, you would know, and with that in mind I was going to suggest to you if all these individual judgments were taken together it was easier for you to arrive at your 50 per cent attrition and erosion estimate?

- A. Well, there is the judgment of the intensity of the competitive agency by our field offices -- that is quite right.
- Q. Mr. Edsforth referred to that in his evidence before the Board two Octobers ago?
 - That is right.
- Q. So in that sense, you see, there is a selection made in advance of the horizontal increase and you have, in a manner of speaking a selective increase instead of just a flat across-the-board without any regard paid by Canadian Pacific and Canadian National as to the impact?
- A. Well, no, sir. I am sorry, but I just could not go along with you because some traffic, it might be possible to hold 10 per cent of the increase and other traffic 90 per cent and so on. It is a little too fine to reach a conclusion on.
- Q. I understand that -- I am sorry, did I interrupt you?
 - A. No, sir.
- and say to yourselves "We are now going to make a



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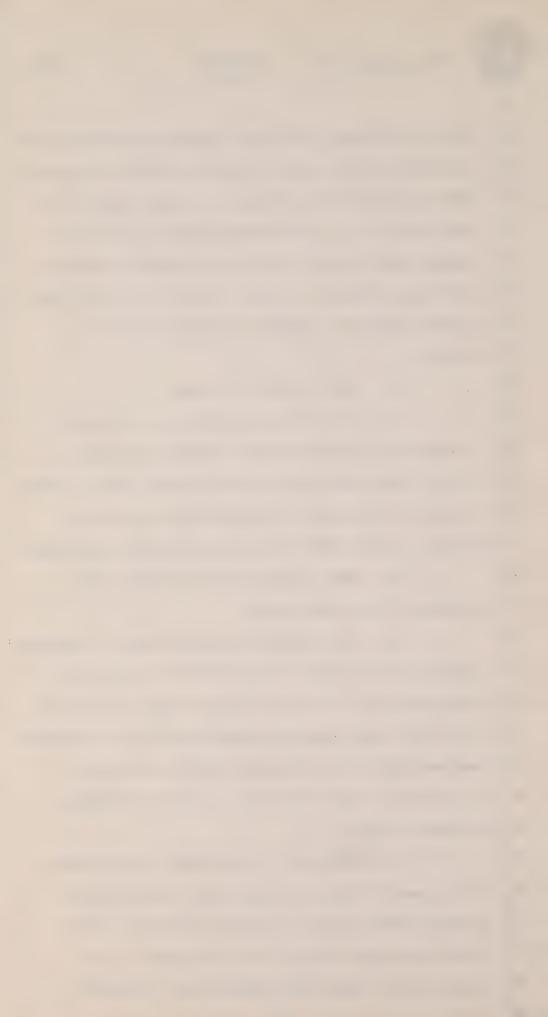
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selective increase," but I was wondering whether you had any large features, quite a pretty good idea as to what traffic the increase could go on and what traffic it could not go on and, in a sense, determine the percentage which you must get from the Board in order to cover your revenue deficiency. This is the sum total of these individual judgments that make for the erosion?

- Oh, yes, that is right.
- So you see, the thing I was coming to is simply this, that we have a selective increase not as it is understood in the United States, namely, before the event, but we have a selective increase in the Canadian context after the increase has been authorized?
- Α. That is right, and depending upon intensity of the competition.
- Well, coming to another step, Mr. Roberts, Q. again in the discussion you had with Mr. Cooper you mentioned that -- I do not think you want us to believe that is the only reason for regulation but you mentioned that regulation in your opinion was to protect you -to put it in a very crude form -- from the Canadian National Railways.

MR. SINCLAIR: Mr. Chairman, I very seldom ever object to the way a court puts a question and I know you said it was put in a very crude form, but I think the witness did not put it that way. recollect his words they qualified that to quite a degree and I would not want anybody to get the idea --



the reason I rise is, I would not want anybody to get the impression that from my knowledge of the answer as I recollect it, that he was saying that this was here but he was saying -- we can likely argue this at another time but I think it is important seeing you put it this way, that we in the Canadian Pacific see the situation in the Mexican state railway where they are used to putting men to work for social purposes. We see in France it is going on with the state railways. We see it in other places being used to develop areas without respect to transportation costs.



MR. GOBEIL: It is page 17690.

COMMISSIONER MANN: Perhaps the modification

MR. SINCLAIR: I think the answer was given

COMMISSIONER MANN: I made a note of it, and

Q. I did preface my remarks by saying that

it was putting it in a rather crude way, and perhaps I

should have asked the question this way: that there

was need for regulation so as to ensure that there was

no unfair competition between the railways in Canada;

Q. And your fear, Mr. Roberts, as you

expressed it so very well in reply to Mr. Carter this

morning was that you were afraid of political rate

That is right, sir.

perhaps I will come to that now.

can be this --

this morning.

you agree with that?

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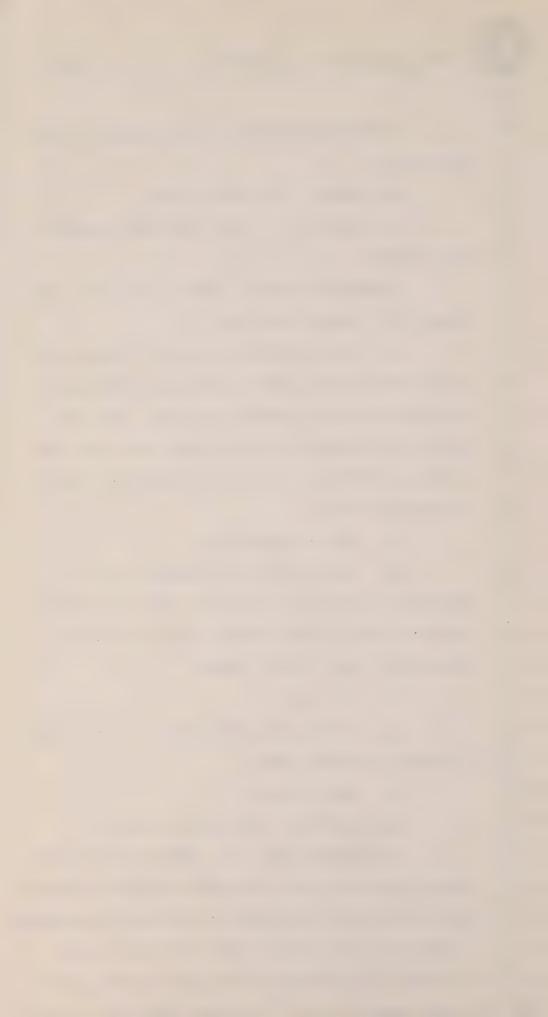
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A. Yes, sir. And you and I know there is no political Q. . rate making in Canada today? A. That is right.

making, and he said, in the future?

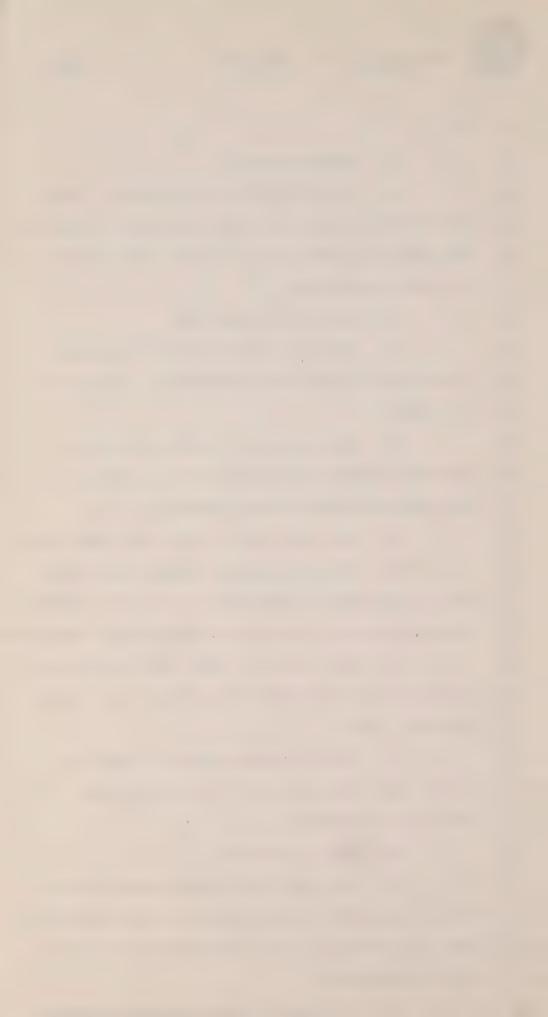
MR. SINCLAIR: With respect to grain.

COMMISSIONER MANN: Q. Supposing there were statutory guarantees that the Canadian National Railways could not make any rates that had a political connotation -- supposing it was clearly spelled out that no rate in Canada, on the National or any other railway, could be above variable costs: would that fear still be with



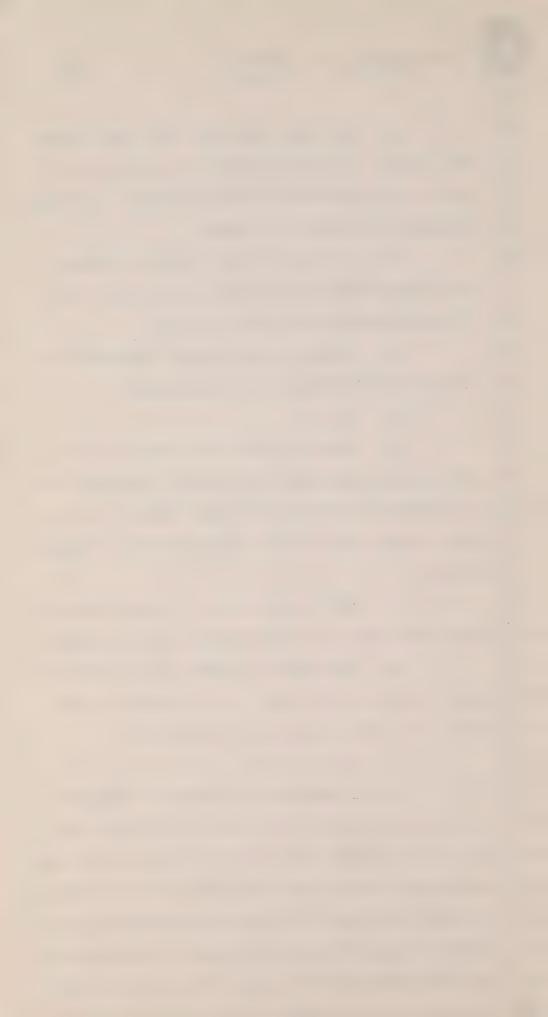
you?

- A. Could be above?
- Q. Could be below -- I am sorry: could be below variable cost. Would that fear still be with you if we made sure there was no political rate making in the future on any rate?
 - A. Well, in the Act. sir?
- Q. Whatever form that statute may take -- you and I are at the same disadvantage: neither of us is a lawyer.
- A. Well, I think, sir, that there is a regulation already in the Railway Act to provide for the situation and that should take care of it.
- Q. Well then, why the fear that there would be political rate making, which I suppose means there would be rate making which would not cover the variable cost and would be in the nature of destructive competition?
- A. Well this is -- that there be no control whatsoever, as I understand the question -- no control whatsoever, sir?
- Q. Other than the minimum rate base on variable cost and, if you will, some contribution above that to overhead.
 - A. That is all right.
- Q. Well, why should we have regulation -- and you said earlier you are happy with the regulation today? Why should we have today's regulation at all? Why is it necessary?
 - A. In respect of the minimum rate control?



Q.	No, rates generally, other than minimum
rate control:	no maximum control, no publication of
tariffs in the	form that it takes place now no unjust
discrimination	or undue preference?

- A. I think, sir, that tariffs certainly should be published, that people know what price they are paying for the product they receive.
- Q. So that, in that respect regulation is necessary for the protection of the shipper?
 - A. Yes, sir.
- Q. You see, actually we have got to go a little further than saying regulation is necessary for the railways to protect the Canadian Pacific from the other railways and the other railways from the Canadian Pacific.
- A. What you had in mind is that a special rate may be given to another shipper and not another.
- Q. That brings up another point, and I was going to ask you about this: if, as you say in your precis, all rates in Canada are competitive...?
 - A. Yes. sir.
- Q. If competition is pervasive throughout the entire country to roughly the same intensity, why do we need to worry about undue discrimination and undue preference? Does it not follow, then, that there can be no worry about this on the part of the shipper because he has always got an alternate means of transportation available? Why should he concern himself with whether or not he is unjustly discriminated against by the



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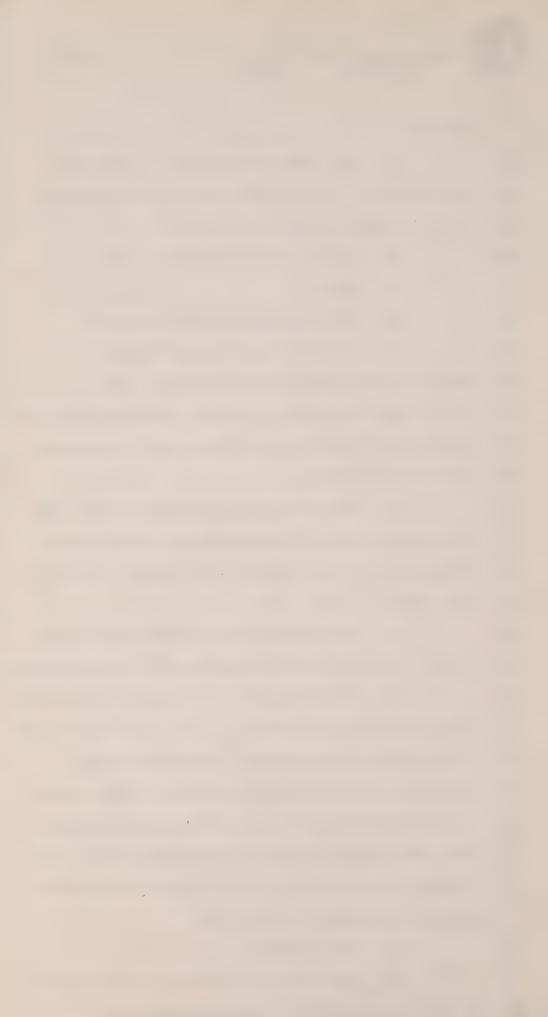
Q. And it is my understanding that no-one is very unhappy about it -- no-one misces it?

railways?

A. Or a substitute product -- these are other factors: a substitute product or a substitute source of supply which he has available.

(Mann)

- Q. Oh yes, the full range of that.
- A. Yes.
- But why bother with it, you see?
- I think it is, sir, a matter of psychology that people in western Canada would not like to think that the people in eastern Canada were receiving the same sort of service -- or vice versa -- something better than they were?
- Q. Why should they be worried if they have got alternate means of transportation that are fully effective, fully competitive, and everybody has got the same chance?
- A. They may not wish at the present level to take advantage of the alternate mode of transportation.
- Q. I do remember -- and I do not know whether you were in those proceedings -- I know Mr. Sinclair and Mr. Edsforth were there during the second Turgeon Commission when your company, I believe it was, brought Mr. David Blee from Britain to testify to the situation there and, as you know, under the Transport Act of 1953 in Great Britain there is no more unjust discrimination and undue preference; that has gone.
 - A. That is right.



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A. Well, I do not think it is being practiced under the law, the question of unjust discrimination -- I do not think it is being practiced. My understanding is that the same basis of rates -- what they get back to is treating everybody alike, and they are on that basis.

- Q. In Britain -- but they do not have to under the Act?
 - A. They do not have to, that is quite true.
 - Q. They do not have to even publish rates?
 - A. That is right.

MR. FRAWLEY: They do not file their agreed charges.

free and easy and wide swinging Act in Great Britain
you have got section 22, and that section gives shippers
whose goods can only be sent by rail the right to
complain to the Transport Tribunal if they consider
the charges are unreasonable. Even there it is found
necessary to protect some sort of traffic --- call it
captive -- they have a definition there -- to protect
some sort of traffic under the law by section 22 of
the Transport Act in 1953. There is in Britain some
sort of captive traffic, otherwise that would not have
been put in.

- A. There is coal traffic, I would say.
- Q. Yes, that is one kind. I think this is consignments over 100 tons, and so on.

A. Yes.



ANGUS, STONEHOUSE & CO. LTD. TORONTO, ONTARIO Roberts

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Roberts.

BY COMMISSIONER PLATT:

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Just to follow this a little further:

what about maximum rates? Is there any real justification

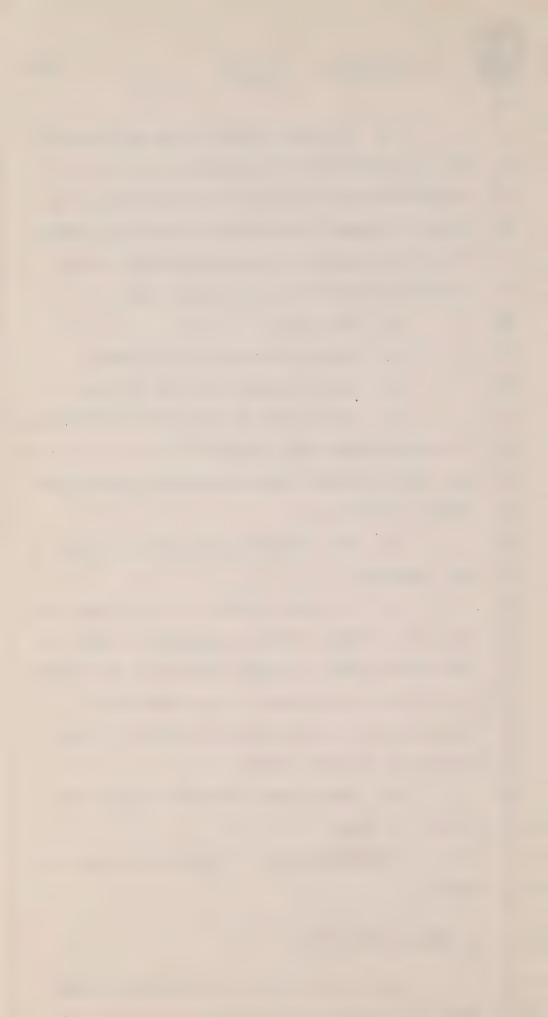
Q. And that in spite of the fact that Mr. Blee, I recall told us or admitted at the time in evidence that there was greater substitutability in Britain as between various modes of carriage, bearing in mind the capacity of the British railway car is roughly the same as that of a British truck.

(Mann)

- A. Yes, sir.
- Q. Which is not the case in Canada?
- That is right, it is not the case.
- Q. So in spite of that greater substitutability -- and the average hauls are shorter too -- in spite of that substitutability there was need for putting that section 22 in the Act?
- A. Well, this is in the Act, of course. I cannot say that.
- Q. It looks to both of us as if there was some sort of captive traffic in Britain, and that the criterion was that the charges must not be unreasonable and that the reasonableness of the charges had something to do with the defining of whether or not traffic was, in fact, captive.

A. This is what you could take from that section, Mr. Mann.

COMMISSIONER MANN: Thank you very much, Mr.



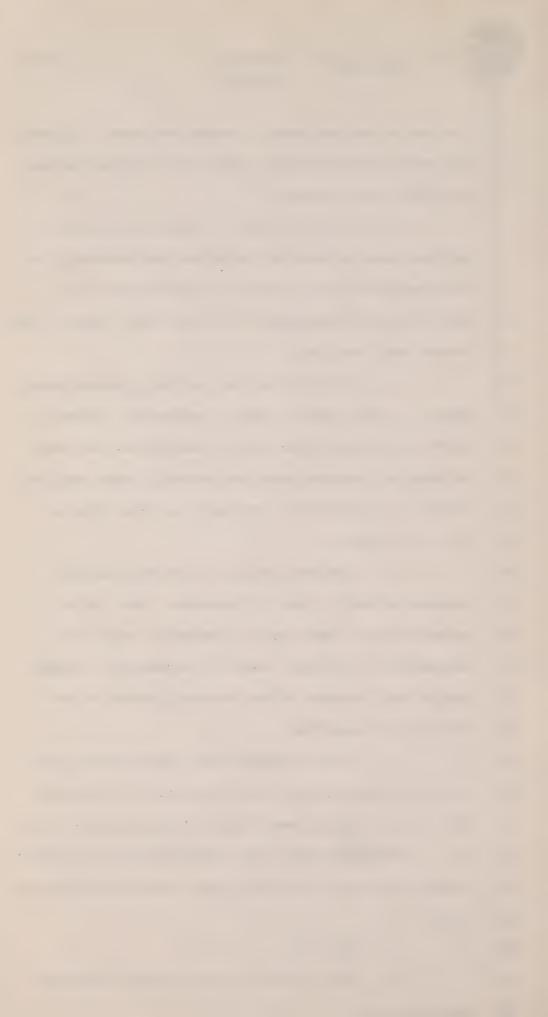
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for having maximum rates in Canada any more? Obviously, you are not worried about competition between railways and that sort of thing?

- A. No, as I said, I think the need for maximum rates is more psychological than anything else, that people will wish to see in the statutes some prohibition for protection, that the rates just will not become over excessive.
- Q. Yes, is that not putting a rather heavy burden on your company, which I understand spends a great deal of money and time up here before the Board of Transport Commissioners and preparing cases and are delayed, or have been in the past, in being able to raise the maximum?
- A. Another feature I mentioned was the maximum permissive level of earnings. This is the second feature I mentioned in connection with the maximum level of rates, and this is something I think people would require in the statutes insofar as the railways are concerned.
- Q. Well, the fact that there may have been some justification for this at some time in the past does not necessarily mean there is justification for it now. Is there any real reason why the earnings of your company should be limited any more than the earnings of mine?
 - A. No, sir.

which is wrong?

Q. Well, why should we support something





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A. Well, as I said, my only answer to the maximum rate control was the psychological angle of it.

COMMISSIONER MANN: Thank you.

RE-EXAMINATION BY MR. SINCLAIR:

- Q. During Mr. Frawley's cross-examination in regard to exhibit 162, he made reference to the fact that rates working on through bills on combinations over the border would not have been reflected in the revenue figures in exhibit 162: do you remember that questioning by Mr. Frawley?
 - A. Yes, sir.
- Q. And during that questioning the Chairman

 -- Mr. MacPherson -- said to you, "how big is this?

 How much is there of this traffic?", and you said in

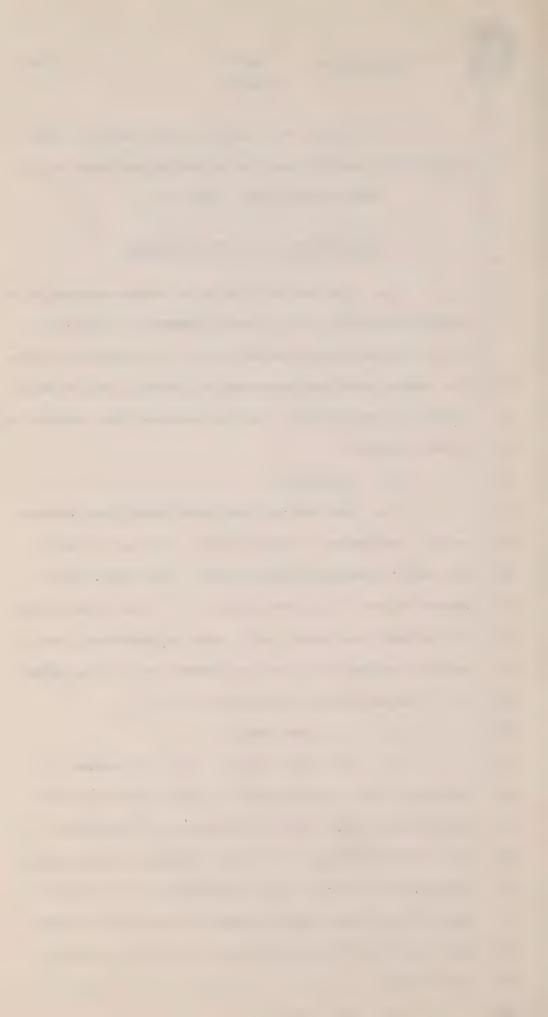
 answer to him, "It is not large ..." -- and I am trying

 to remember your words, and I have my note here, and it

 may not be exact, but you can correct me if I am wrong

 -- "It is not large in relation to ..."?
 - A. "... the total".
- Q. "... the total". That, of course, is relative, and I was wondering if you could inform the Commission of the results of studies, if you recall them, that have been made by the company in connection with general revenue cases and other types of cases in which we have made some estimates of the dollar value, and relate that to the 1% sample. Can you recollect the figures?

A. Vis, sir.



that, so that it will get into some kind of perspective --
MR. FRAWLEY: Well, "perspective" -- I was

Q. Would you please tell the Commission

MR. FRAWLEY: Well, "perspective" -- I was talking about exhibit 162. Are we now going to hear about something that happened in the 15% case?

MR. SINCLAIR: No, I am trying to clarify it into some more useful figure. The other thing, "it is not large ..." -- I am just trying to put to the witness

THE CHAIRMAN: The "at and east" figures?

MR. SINCLAIR: No, sir. These are the

combinations and a proportion that the revenues in

relation to the other revenues were on these combination

figures.

MR. FRAWLEY: I know what he is going to do.

He is going to pick up my suggestion that the farm

machinery was important -- the farm machinery moving

from American factories into western Canada, because

they are not now in exhibit 162, and if Mr. Roberts has

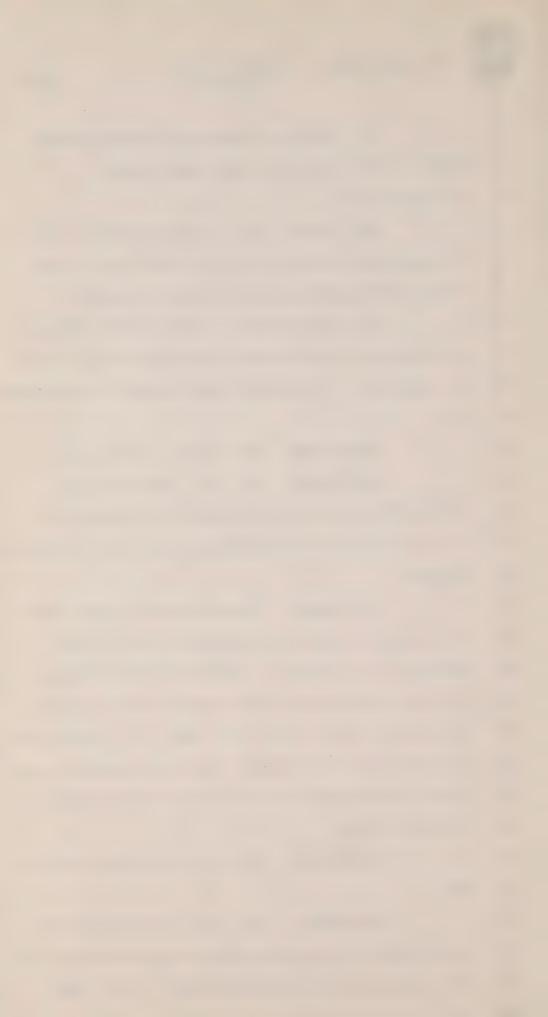
been able since this morning's cross-examination to tell

us how important they are -- and I do not know what he

is going to say.

MR. SINCLAIR: Well, why do you not wait and see.

THE WITNESS: Well, sir, we did analyse the traffic moving through the western border gateways last year and re-examined the figures earlier this year, and in terms of dollars it was just under \$ 4 million.





ANGUS. STONEHOUSE & CO. LTD. Roberts, re-ex. (Sinclair)

Q. So, if you relate that \$4 million to the 1% sample, 1% of \$4 million is ...?

A. \$40,000.

- Q. So, in relation to the figures here, this matter we are dealing with is \$40,000, and that can be calculated across into the percentages?
 - A. Yes, sir.
- Q. That was not the first time you made those studies: we have made them in Canadian Pacific at other periods in relation to other cases too?
 - A. That is right, sir.
- Q. And I take it you will recall at one other time in a general revenue case we actually gave an estimate of a figure of something like 2.5 million?
 - A. Yes.
 - Q. Many years ago?
 - A. Yes, many years ago.
- Q. I think at the request of Mr. Frawley.

 Now, Mr. Frawley had a discussion with you about Mr.

 Sissons' brick out of Medicine Hat, and he put to you

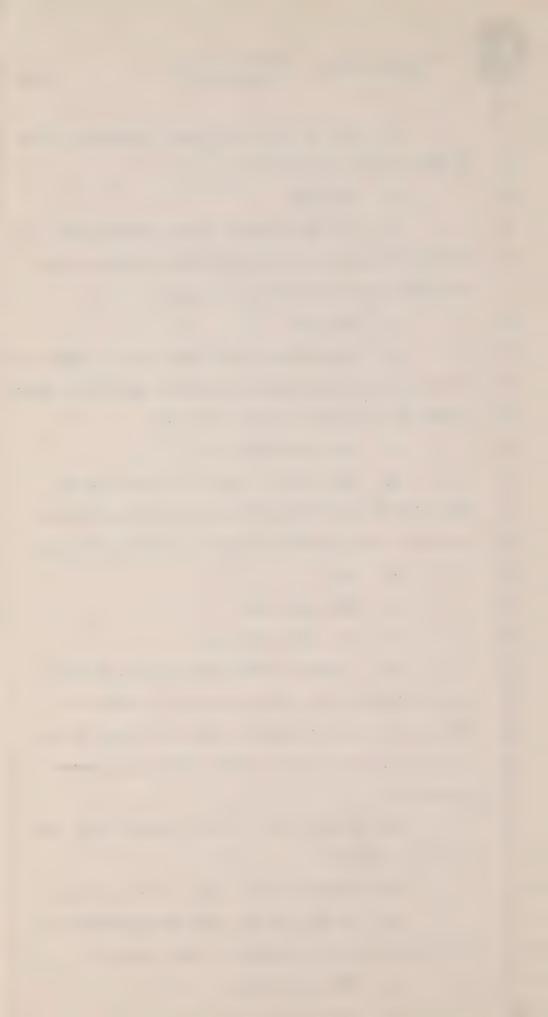
 -- and you cleared it up in later evidence in answer to

 my friend ---

MR. FRAWLEY: Well, if he cleared it up, then you do not need to.

MR. SINCLAIR: Well, just a minute, please.

- Q. At the time the rate was negotiated it was at the request of a shipper to move traffic?
 - A. That is correct.
 - Q. Against competition from traffic coming





ANGUS, STONEHOUSE & CO. LTD. Roberts, Be-ex. (Sinclair)

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from the United States?

- A. That is right.
- Q. And at that time there was not a manufacturer in Canada serving that market or able to serve that market with Roman brick manufactured in Canada?
 - A. With Roman brick manufactured in Canada.
- That is right, and the alternative source 0. of supply of the buyer was the United States?
 - A. Was the United States, that is right.
- Q. And this traffic from Alberta, the Roman brick, to the Toronto market was highly competitive with an external source of supply?
 - A. Correct.
- Q. And then, in answer to my friend you agreed with him when he put ---

MR. FRAWLEY: Ask him some questions, Mr. Sinclair?

MR. SINCLAIR: Well, I do not know that I have put anything wrong here yet; I am just moving into the question.

MR. FRAWLEY: He is your own witness, and it is just a very fundamental old, old rule.

MR. SINCLAIR: Well, if you would wait, I think I can now come to the crucial part of the question.

Q. In answer to my friend, Mr. Frawley -and you agreed with his statement, according to my note -- this, then, insofar as Mr. Sissons' brick to eastern Canada was concerned would be captive to you





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because it could only be moved by you. What did you mean by that? And I hope my friend now recognizes the classical nature of the way I have put it?

MR. FRAWLEY: I can appreciate your endeavour to retrieve yourself from an embarrassing answer.

MR. SINCLAIR: It is only my duty not to have the Commission under misapprehension because Mr. Roberts may have given an answer that would be more meaningful to the Commission if he were given the opportunity I have now given him.

MR. FRAWLEY: You can be more meaningful than he can.

THE WITNESS: Well, the fact of the matter was that if the brick did not move from Medicine Hat it would move into that market from other sources of supply in the United States.

Q. And when you say captive to Mr.

Commissioner Mann, do you use it or do you not in the same kind of context?

A. That is right.

thought there might be a necessity for unjust discrimination and undue preference legislation in view of the pervasiveness of competition, and your answer to him was that when you were looking at these kind of matters of regulation you were considering the psychological effects, even though they were not necessary. Would there or would there not be any necessity, in your view, for legislation regarding undue





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preference or unjust discrimination in relation to the substitutionality of products and alternative sources of supply in contra-distinction to carrier competition or market competition?

A. I am sorry I do not quite follow that question.

THE CHAIRMAN: Well, we will adjourn now until 10 o'clock tomorrow morning.

--- Adjournment ---













